MIDNIGHT
Oil & Gas Ltd.

STRATEGY to VALUE ►►►

2003 Annual Report

Proven Strategy

The Company

Midnight is a publicly listed junior oil and gas exploration company focused primarily on sweet gas opportunities in two multi-zone high potential areas – Peace River Arch and West Central Alberta. Midnight focuses a select group of high end professionals as a competitive edge in these two technically demanding areas of operation.

Our investment strategy is based on a risk balanced portfolio of exploration, exploitation and strategic acquisitions to deliver consistent and solid value growth to shareholders.

Midnight has increased its production from 600 boe/d at the beginning of the year to 2,400 boe/d by year end – a fourfold increase in its first full year as a public company.

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Midnight employs a PROVEN STRATEGY to create MAXIMUM VALUE from its investments.

ON THE OPERATING SIDE

Midnight pursues a focused high potential natural gas program:

- *targeting the multi-zone areas of West Central Alberta and the Peace River Arch*
- *primarily exploring the clastic formations in the Cretaceous and Triassic periods*
- *drilling wells with an average depth of 2,000 to 3,000 metres*

These areas contain tremendous opportunities with excellent potential from plays that require more technically complicated concepts, and are underdeveloped using traditional exploration and development techniques. The Midnight team has a history of success applying its integrated process of detailed analysis in these multi-zone areas.

ON THE INVESTMENT SIDE

Midnight employs a risk balanced approach to its play/prospect portfolio through:

- *exploration and exploitation in two multi-zone, high potential, gas prone areas*
- *value added acquisitions with development and exploitation potential*
- *in-house play generation and operatorship of joint venture activities*
- *hands on approach to cost control in drilling, completing, and facility ownership*

Investments are targeted to select strategic opportunities in West Central Alberta and the Peace River Arch. Individual reserve targets are on the high end of average in the Western Canadian Sedimentary Basin.

ON THE COMPETITION SIDE

Midnight exploits a competitive advantage from its combination of:

- *high-end technical expertise in geology, geophysics and engineering*
- *broad ranging collective experience coming from varied backgrounds and shared experiences*
- *business skills in developing and executing a business plan and strategy*

The Midnight team has the ability to generate plays and then execute a strategy that capitalizes on the opportunities that exist in the higher potential areas in the Western Canadian Sedimentary Basin.

ON THE PEOPLE SIDE

Midnight has a proven team of highly skilled oil and gas finders with:

- *strong technical and business skills*
- *a commitment to continuous improvement and learning*
- *a positive attitude and winning spirit*
- *broad experience across the Western Canadian Sedimentary Basin*
- *a record of success*
- *the capability of working independently and/or leading and working in teams*

Our teamwork approach involves integrating input from technical details and business aspects into a solution that optimizes Midnight's success and produces a positive, challenging work environment.

Maximum Value

President's Message

The year 2003 was another active and successful year for Midnight. The highlight of the year was a highly successful natural gas exploration drilling program. Through our drilling program and strategic acquisitions, we were able to significantly broaden and expand our reserve and production base. We are pleased with the success of our program and excited about the quality and depth of our high potential prospect inventory.

OVERVIEW

New companies are like young children. From the beginning their needs are great, but with the proper care, support and direction, they grow to achieve their full potential. The eagerness and anticipation we feel as this process begins and the first steps are taken become moments of joy and satisfaction; as they continue to grow, each year brings a new set of expectations and challenges.

Excellent drilling results, excellent production growth and an excellent prospect inventory for future growth.

For Midnight, life began in mid-2000 as the offspring of the management and senior technical team from Ulster Petroleums Ltd. Not born with the silver spoon of a production base or large land base to develop, Midnight spent the first couple of years as a private company, developing plays and establishing a modest production base.

The year 2003 was a new stage of our development as it was our first year as a public company. Like a proud parent, we had high expectations of what we would achieve and we certainly have had a very good year – excellent drilling results, excellent production growth and an excellent prospect inventory for future growth.

Overall, I am extremely pleased with the strides we have taken and where we stand today. Looking back, I am very proud of how much we have accomplished in such a short time – growing production from an average of 450 boe/d in 2002 to 2,000 boe/d in 2003. Looking forward, I eagerly anticipate our next steps as we pursue the development and exploration of our large inventory of high potential plays and prospects.

A HIGHLY SUCCESSFUL NATURAL GAS EXPLORATION DRILLING PROGRAM

During the year, we continued to focus on pursuing the natural gas potential of our two core areas, the Peace River Arch and West Central Alberta. Following a rather slow start with three wells drilled before July, we increased the pace of our activity significantly and drilled 21 wells in the second half of the year exploring new areas and developing existing holdings. The high degree of success we enjoyed has laid the foundation for an expanded winter drilling program and strengthened Midnight's long term growth prospects.

Our drilling program, focused in West Central Alberta and the Deep Basin of the Peace River Arch, had over a 90% success rate with 24 gross (16.1 net) wells, comprising 16 gross (10.5 net) gas wells, four gross (4.0 net) oil wells and four gross (1.6 net) dry holes.

Peace River Arch

In the Peace River Arch, Midnight has exploited the multi-zone potential of this area. Our large, high-quality reserves and prospect inventory encompass:

- *a light oil development project at Sinclair*
- *sweet natural gas targets in the Deep Basin areas of Wapiti and Elmworth*
- *deeper, sour, but high potential natural gas targets of our Triassic fairway*

We continue to grow and expand our prospect inventory in this area. Midnight has significant growth potential on hand in the Peace River Arch from a risk balanced portfolio of both light oil development and high potential natural gas exploration opportunities.

Our Sinclair area holding, which was initially acquired in the Capture purchase, has become one of our core properties. Based on the results of a detailed multi-disciplinary study that Midnight conducted on this project, we invested $12.2 million to increase ownership and control in this strategic prospect area. In addition to an existing underdeveloped oil pool, we acquired related facilities and certain undeveloped lands. In the Sinclair Doe Creek oil pool, Midnight assumed operatorship and a 100% ownership of this property. The area's considerable upside will be exploited through:

- *additional development and exploitation drilling*
- *waterflood implementation of the Sinclair Doe Creek light oil pool*
- *further oil and gas exploration*

Our drilling program, focused in West Central Alberta and the Deep Basin of the Peach River Arch, had over a 90% success rate.

In the first phase of the Sinclair development, Midnight drilled seven gross (7.0 net) wells, resulting in four oil wells and three gas wells with 100% success. Phase two of the waterflood development includes a five well program that commenced in the first quarter of 2004.

In the Deep Basin, Midnight drilled six gross (3.8 net) gas targets with 100% success. During 2003 as we continued to expand throughout the Wapiti/Elmworth area, a key element has been the addition of a strategically located, large block of land (over 7,000 gross acres) in the Elmworth area (Twp 68-69 Rge 12 W6). At Elmworth, in addition to the long life, large reserve potential of the Cadomin Formation, these lands have the large reward potential of shallower Cretaceous targets that have been the traditional prospects for Midnight in the Deep Basin.

Midnight's growth within the Deep Basin has been based on our experience and expertise and supported by the strong relationships we have developed with the larger operators in this area. The Deep Basin remains a key area of focus for Midnight as we continue to grow our operations and expand our holdings through:

- *development of existing multi-zone exploration lands*
- *follow-up to recent discoveries*
- *ongoing Crown sale acquisitions*
- *poolings, joint ventures and negotiated farm-ins*

In the Peace River Arch with our deeper high potential Triassic exploration play, we continued to realize success. This play has been a solid ongoing development and high potential exploration project of Midnight's and has yielded success from both the deeper, sour natural gas targets of the Triassic and shallower Cretaceous horizons. Midnight drilled three gross (1.2 net) wells, comprising two (0.9 net) gas wells and one (0.3 net) dry hole for a 76% success rate. Over the past year we have assembled a strategic land holding (23,000 gross acres) through this play fairway and will continue to develop its potential.

As a result of our success on the Peace River Arch, we have in inventory a multi-well, multi-year drilling program, which includes:

- *our multi-zone development at Elmworth – eight to ten wells to be drilled in 2004 developing the Cadomin and an additional ten to 12 wells in place for 2005 to down space and fully develop this high potential, multi-zone exploitation project*
- *our high potential Triassic play – we continue to achieve exploration success in our plays at Beaverlodge and Elmworth with a four well development/exploration program in 2004 with six additional exploration projects that we control along this fairway to be drilled in 2005*
- *our waterflood and gas exploitation project at Sinclair – five wells to be drilled this winter, and up to two wells to be drilled to develop our new gas pool discovered on the eastern part of our lands*

West Central Alberta

In West Central Alberta, we focus on sweet gas projects in the Caroline/Ricinus and Alexander areas. In addition to our drilling program, Midnight has made substantial investments in pipelines and infrastructure in these areas to maintain control over field operations and to keep operating costs low.

During 2003, we were successful on five (2.9 net) gas wells of eight wells (4.1 net) drilled for a 69% success rate.

At Caroline/Ricinus, we drilled two gross (0.8 net) gas wells on our 100-square-mile 3D seismic program. Both wells tested at rates over 2 mmcf/d and have recently been placed onstream. Due to our successful drilling results in the West Central area, we have identified and are pursuing additional drilling in this area in our 2004 winter drilling program.

In this area, we have expanded our 2004 drilling program to follow-up on successful exploration drilling:

- *Caroline – up to four wells*
- *Alexander – three additional wells*
- *Rosevear – an exploratory test well*
- *Leaman – two additional wells*

OPERATING AND FINANCIAL RESULTS

On the operating and financial side we have had significant growth. Relative to the previous year, 53% of our production growth resulted from our development and exploratory drilling program, 35% from our strategic corporate acquisition and 12% from our joint venture partners buyouts. Significant activity in the first half of the year was the acquisition of Capture Energy Ltd., highlighted by a core gas holding with related infrastructure at Alexander, a development and subsequent acquisition opportunity with the Sinclair asset. In the balance of the year, we enhanced our Sinclair holdings and conducted an active exploration drilling program with excellent results that will be the basis for our continued growth. Focused activities and operational control continue to yield low costs and produce excellent financial results.

Successful drilling and strategic acquisitions drove 2003 production volumes up 340%, close to 2,000 boe/d.

Operating Results

Midnight's activities generated solid growth and record production volumes. Production, on a boe basis, increased 340% over 2002 to 1,993 boe/d. Midnight's natural gas and related NGL production jumped over 292% over the same period in 2002, to an average of 9,643 mcf/d and 158 bbls/d. Crude oil production averaged 228 bbls/d for 2003. Midnight continues to be primarily a natural gas producer – on a combined basis, natural gas and related NGL production comprise 89% of our production volumes in 2003.

Financial Results

Our solid production growth combined with strong commodity prices generated excellent financial results. For 2003, Midnight's total revenues climbed 599% to $29.8 million ($40.95/boe) compared to the same period in 2002. Natural gas prices were $6.93/mcf (up 61% from $4.30 for 2002) with crude oil of $38.17/bbl (down 6% from $40.53 for 2002) and NGL prices of $33.38/bbl (up 44% from $23.14 for 2002). Deductions for royalties of $7.2 million ($9.94/boe) and cash costs of $5.6 million (or $7.72/boe including operating costs of $4.82/boe) resulted in Midnight's cash flow of $16.9 million ($23.29/boe) or $0.91 per share ($0.88 per diluted share).

Midnight's cash flow per boe is consistently one of the highest in industry, reflecting:

- *the high quality of our production*
- *our investment in infrastructure and facilities*
- *our cost control and field experience*

Capital Expenditures

During the year, Midnight invested $45.8 million, directing $17.6 million (38%) to its natural gas and oil drilling program, $9.5 million (21%) to infrastructure and $13.9 million (30%) for property acquisitions. Combined with our Capture acquisition, we have put in place an attractive suite of underdeveloped and exploitable assets to complement our high potential exploration opportunities in the Peace River Arch and West Central Alberta. Our acquisitions and drilling program were key and strategic to Midnight's future growth. During the year we enjoyed significant growth and success in our 2003 program that was not fully developed and did not have sufficient production history to be adequately evaluated at year end. Under the new reserve determination standards pursuant to the National Instrument 51-101, our 2003 program produced finding and development costs of $16.42 on a proven-plus-probable basis including future capital calculated against the increase over established reserves from year end 2002. Notwithstanding that these costs exceeded our corporate targets, we are confident of our ability to add future reserves at significantly lower-per-unit costs to restore our finding costs to our historical range.

Financing

During the year, Midnight closed a bought deal financing, raising gross proceeds of $12.55 million through the issue of 1.5 million common shares at a price of $6.60/share and 300 thousand flow-through shares at $8.50/share. The proceeds from this offering strengthened Midnight's balance sheet and provided the Company with the capital to aggressively pursue identified opportunities.

MIDNIGHT TEAM

A key and important element of Midnight's strategy and success is to find and engage a strong and talented team that demonstrates both high end technical and business execution skills. Midnight enjoyed a successful 2003 because of the skill and expertise of our team. I would like to thank the team at Midnight for the ceaseless hard work, their dedication to the highest quality and ongoing skill development that is core to our philosophy. We expanded and strengthened our talented team during the year and will continue to add to our group with additional skill sets as we build an even stronger Midnight.

CONTINUING THE MIDNIGHT SUCCESS STORY INTO 2004

A highly successful natural gas drilling program, expanded opportunities from strategic acquisitions and a large prospect inventory have positioned Midnight for continued solid growth throughout 2004 and beyond. Like proud parents, we feel our success is the reward received for the hard work, patience, care and dedication we put into our tasks. We appreciate the support we have received from our shareholders and look forward to rewarding you with continued success and strong results.

A highly successful natural gas drilling program, expanded opportunities from strategic acquisitions and a large prospect inventory have positioned Midnight for continued solid growth.

Today, we are indeed in the enviable position that our identified high-potential opportunities significantly exceed our funding capability. For 2004, the Board of Directors has set the 2004 capital budget at $35 million. The results and timing from our winter program will determine our production targets, but we are currently targeting for 3,650 boe/d to 4,000 boe/d average for 2004. We look forward to the next year and the next steps we take in the development of Midnight.

Fred Woods
President and Chief Executive Officer

March 31, 2004

Planning Process

MIDNIGHT'S BUSINESS STRATEGY IS THE FOUNDATION OF OUR PLANNING PROCESS

Midnight focuses on two multi-zone natural gas areas, where our prospect portfolio offers both larger reserve bread-and-butter development and high-potential exploration.

Midnight employs a high end team with proven technical expertise and business execution skills, and applies a detailed planning process. We focus in areas where we have experience and success in targeting deep liquids-rich, primarily sweet gas reservoirs.

A key element of our detailed business plan is a risk balanced investment strategy, including a high potential drilling portfolio accompanied with strategic acquisitions. One of the key products that the entire process produces is the generation of a large basket of opportunities and a prioritizing and ranking that allows expanding or eliminating successful or unsuccessful paths.

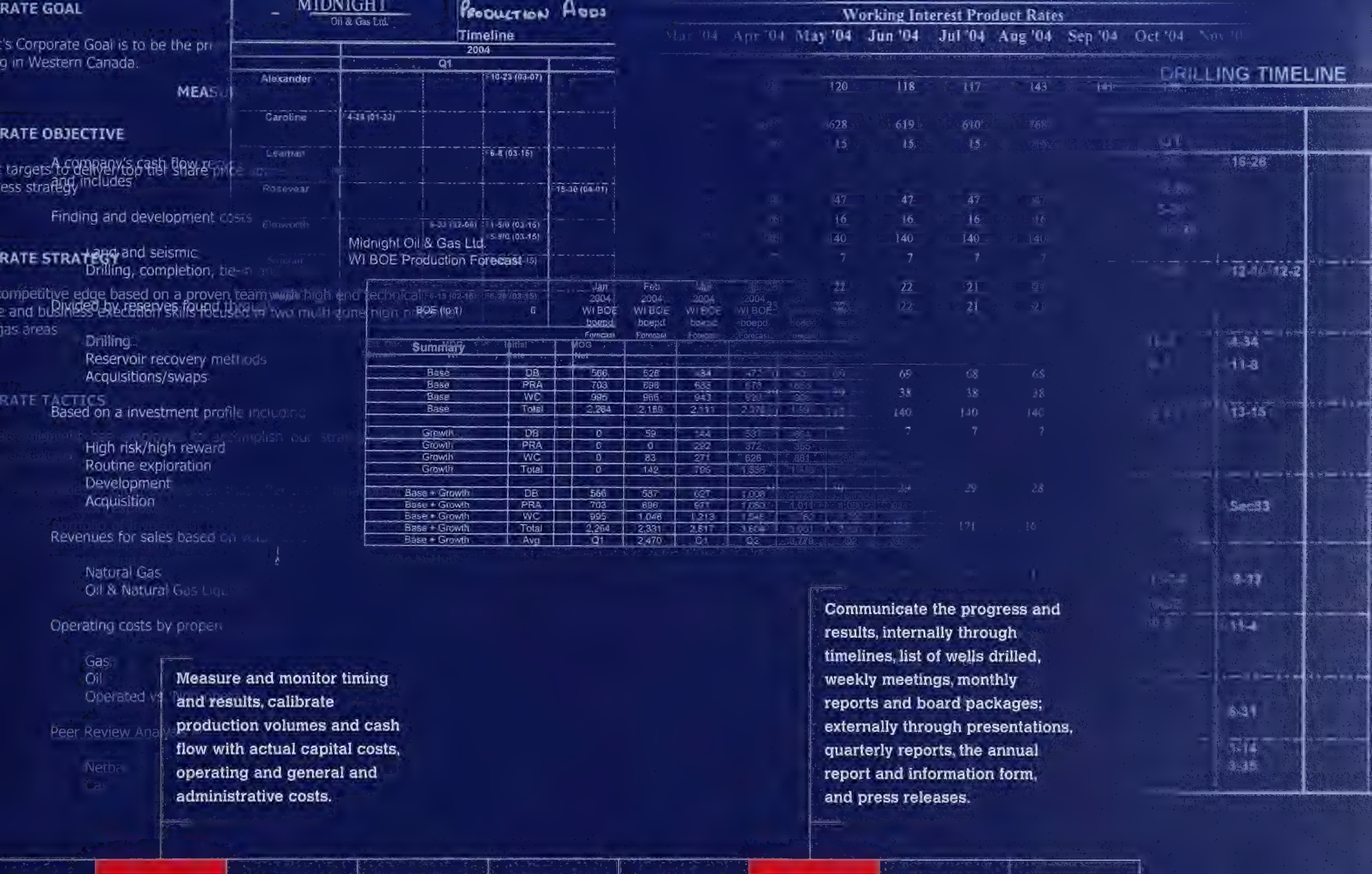
We set our budget and measure our performance against predetermined targets for finding costs ($8 to $12/bbl), recycle ratios (2:1) and cost of production adds ($20,000 per boe/d). Attaining these targets helps us to meet our goal of substantial share appreciation.

Midnight aims to be the premier junior exploration company in Western Canada. Midnight's goal is to consistently deliver substantial share appreciation to Midnight shareholders.

Review past year's performance and critically assess internal strengths and weaknesses, and external opportunities and threats.

Prepare the capital budget, allocating resources by area, by type and by category.

Prepare the operating budget using base production with anticipated declines and production additions with related reserves to create an estimate of cash flow and financial position.



Measure and monitor timing and results, calibrate production volumes and cash flow with actual capital costs, operating and general and administrative costs.

Communicate the progress and results, internally through timelines, list of wells drilled, weekly meetings, monthly reports and board packages; externally through presentations, quarterly reports, the annual report and information form, and press releases.

Development Portfolio in the Deep Basin

MIDNIGHT'S INVESTMENT STRATEGY EXPLOITS A RISKED BALANCED PORTFOLIO INCLUDING SUSTAINABLE DEVELOPMENT PROGRAMS

In Midnight's core area of Elmworth, we recognized the large scale regional potential of the deeper Cadomin Formation. Older in age and located beneath the traditional Deep Basin prospects of the Falher, Cadotte, Notikewan and Bluesky, the Cadomin potential allowed Midnight to target a large regional development play with multiple high potential uphole exploration targets.

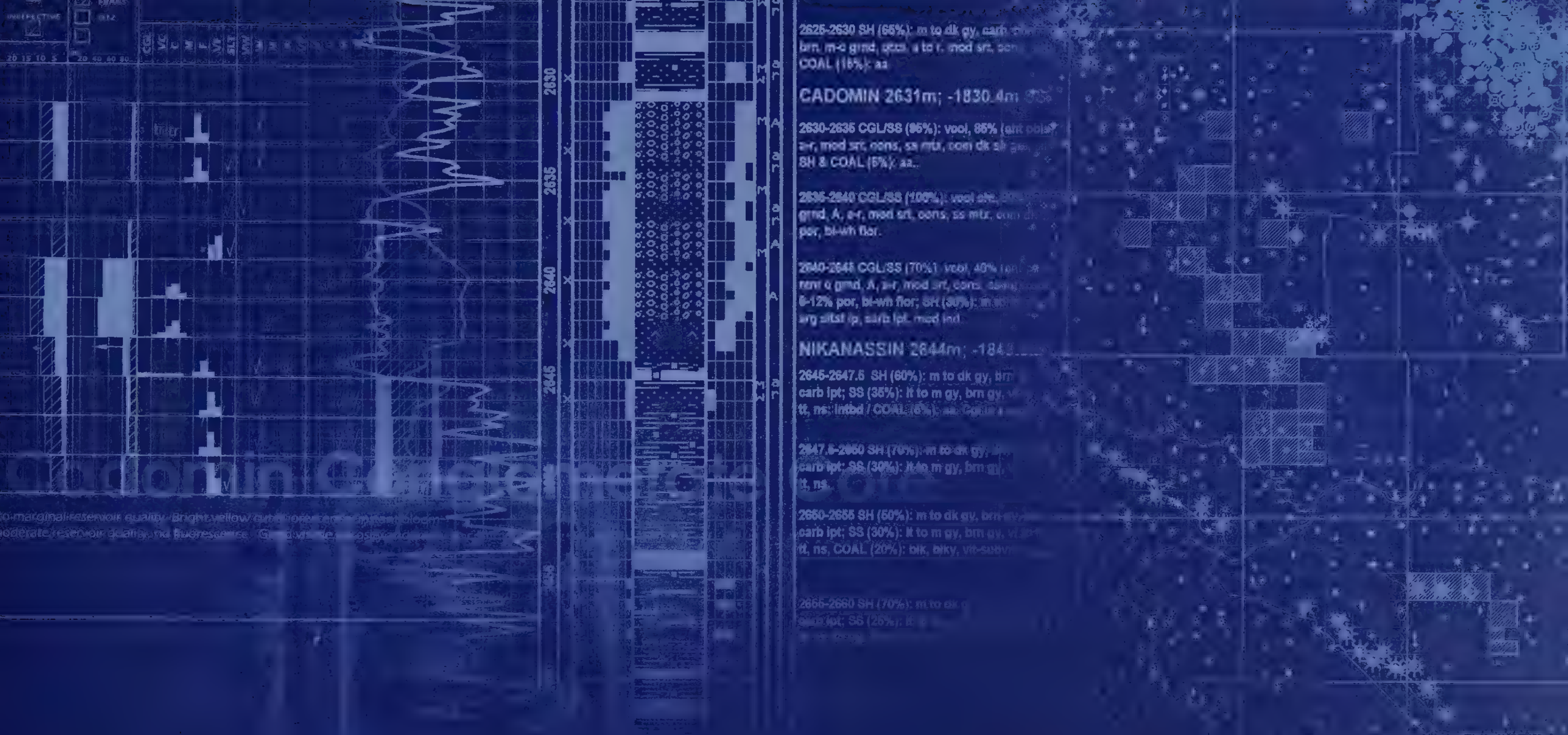
Midnight conducted a multi-disciplinary, regional study of the Cadomin Formation that highlighted prospective 'sweet spots', with economic Cadomin on a standalone basis as well as multi-zone uphole potential. At average depths of 2,400 metres and a risked reserve potential of 1+ bcf in the Cadomin development and 2+ bcf in secondary exploratory targets, the economics supported an aggressive land acquisition and development drilling program which we pursued through late 2002 and into 2003.

Initial drilling results were consistent with study expectations for the Cadomin development. As well, drilling has consistently been delivering multi-zone exploration discoveries. As a result, we have aggressively pursued farm-ins, Crown acquisitions and poolings to expand our land base. We continue to enjoy drilling success and have four to eight wells planned in 2004, with potential for further Cadomin drilling and downspacing (6-12 wells).

Midnight is a developer, targeting multi-zone, large-scale development that includes exploration with high rewards.

Identify Cadomin Formation as a target with regional prospectivity over a large geographic area that holds significant uphole potential, and initiate a detailed geotechnical study.

Conduct a field study of the ancient environments from outcrops in mountainous terrains to observe rock characteristics, in concert with a petrophysical (well logs) analysis and detailed petrographic analysis.



Develop and test geologic and reservoir models, which is the first phase for developing plays and prospects.

Build the prospect map, combining geological and geophysical data and observations, to identify drilling locations.

High Potential Exploration on the Peace River Arch

MIDNIGHT'S EXPERIENCE AND EXPERTISE PROVIDES A COMPETITIVE EDGE TO IDENTIFY AND TARGET HIGH POTENTIAL AREAS

In Midnight's core area of the Peace River Arch, we drew on our knowledge of the Halfway Formation in the Triassic as a high potential target. Our experience and exploration success has led to developing multiple plays in multiple prospect areas – Beaverlodge, Elmworth, and Wapiti.

This area is overlain by the high potential sweet gas reservoirs of the Cretaceous Deep Basin and as a result, the deeper sour Triassic targets were not explored. Our long term experience and a detailed technical analysis of core, cuttings and well logs have been integrated into verifiable and predictive geologic models for Triassic reservoirs. Through this approach we have generated an extensive prospect inventory in this area and when combined with our large land base, have positioned Midnight with a large portfolio of drill ready opportunities.

Our initial well delivered a high rate, large reserve discovery (6 mmcf/d, 6+ bcf), and expansion of the sour infrastructure continues to open up access in prospective areas.

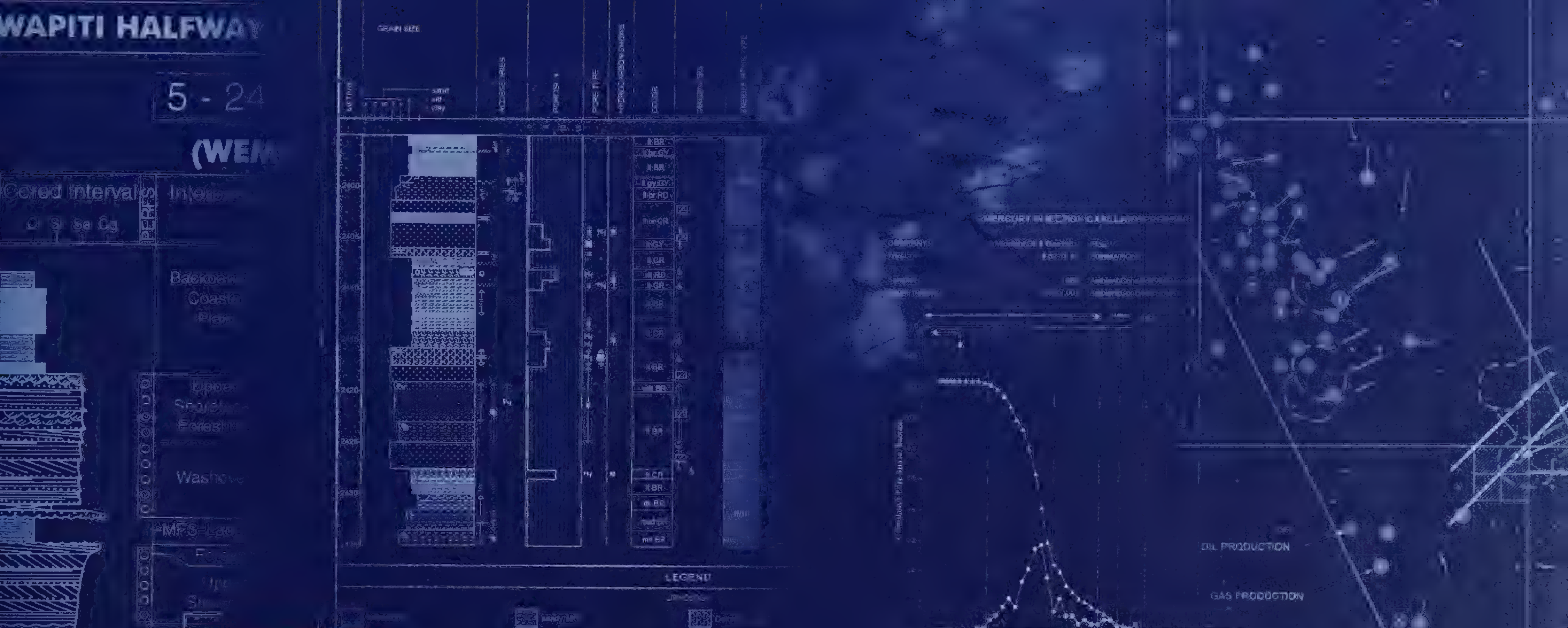
Early in 2004, a new pool discovery continues our success, increasing our prospect inventory and expanding our program from three to eight wells with further locations planned for 2005.

Midnight is an explorer, dedicating a portion of its prospect inventory to high potential exploration.

Training and experience that includes study in modern settings mirroring the geologic environments when the sediments of targeted reservoirs were being deposited provide valuable insights into the more technically challenging prospects.

The exploration process begins with the idea, the inspiration, that moment of clarity when experience, study, hard work and analysis ignite to illuminate the darkness and reveal the prize – a new idea.

Generate a model for explaining and predicting reservoir trends and fairways; test the models by constructing and correlating stratigraphic cross-sections; and identify new, unexploited exploration fairways.



Generate depositional models based on rock properties and modern analogues as a 3D framework that synthesizes observations to provide the basis for predictions of reservoir occurrence, trend, geometry and petrographic quality.

Do a petrophysical analysis to calibrate rock properties to log responses. This analysis ensures that:

- logs from any new wells drilled are properly evaluated
- bypassed pay and re-evaluation candidates in older standing or abandoned wells are identified.

A detailed petrographical and petrological evaluation of cores and cuttings to assess patterns of reservoir quality and diagenesis is a must for Triassic rocks prone to hybrid lithologies and complex diagenetic histories.

Acquisition and Exploitation Opportunities at Sinclair

MIDNIGHT IDENTIFIES AND TARGETS STRATEGIC OPPORTUNITIES FOR ACQUISITION WITH EXPLOITATION/EXPLORATION POTENTIAL

As part of our risk balanced investment portfolio, Midnight targets underdeveloped reservoirs that can be exploited by applied reservoir engineering, including enhanced recovery techniques. Midnight's engineers have significant experience in identifying the upside potential in these reservoirs. In the case of our Sinclair Doe Creek oil pool, by comparing it to analogue pools, we identified a low risk – high reward light oil exploitation project.

Further analysis and detailed reservoir modeling confirmed the reservoir characteristics. Our modeling was then used to develop the optimal exploitation plan. This history match and reservoir simulation predicts the pressure response from the proposed waterflood, and production graphs plot fluid recovery and increased oil production compared to the primary depletion model. The economic support for the waterflood comes from comparing costs and revenues under various pricing and timing scenarios.

As a result of this work and identified potential, Midnight acquired its partner's two-thirds interest in the project, including field facilities and operatorship, and initiated a two phase development plan. The first phase was a seven well delineation program that successfully delimited the pool and discovered a potential new gas pool to the east. Early in 2004 we began phase two, a seven well infill program, including injectors to double the original 500 boe/d.

Midnight is an exploiter, employing a high-end technical team that identifies low-risk, high-reward exploitation projects as part of its investment strategy.

Acquire Capture Energy, with (among other things) the goal of exploiting a minor non-operated interest in the Sinclair light oil property.

Conduct a detailed regional geological study of Doe Creek and Dunvegan to identify exploitation potential and build geologic models.

Conduct an economic comparison under various pricing and timing scenarios to establish risked value and potential of working interest held by other parties.

Initiate Phase I, a seven well delineation and exploration drilling program.

Initiate Phase II, a five well infill drilling program for downspacing and locating water injectors to maintain reservoir pressure.

Teamwork Approach Generates New Ideas in West Central

THE MIDNIGHT TEAM EXPANDS OPPORTUNITIES AND ADDS NEW AREAS

Our Caroline area initially became a prospect from a multi-discipline review of the Foothills belt. We selected the area for its multi-zone gas potential in the prolific Mannville, Viking and Cardium sands.

From our experience with similar plays, high-quality 3D seismic could isolate the structures and potentially identify multiple exploration targets along a large fairway. Economics were attractive for the 2,900 metre prospects based on well costs of $1.2 million and reserves of 4 to 5 bcf/well.

Critical elements for success included acquiring a land base, gaining access to 3D seismic and an inventory of drill ready wells. The cost and risk of these wells led us to a strategy to limit our capital and drill with partners.

We successfully executed our strategy; our first well drilled with a joint venture partner was a highly successful, multi-zone Cardium and Viking gas well giving us an important validation of our technical work and a production base for future development.

Through a rolling program of land sales, freehold leasing and farm-ins, we assembled a large high potential land base and have drilled five (1.8 net) gas wells and one (0.5 net) suspended gas well. We currently hold over 15,000 gross acres (5,000 net) and have three more locations planned for 2004.

Midnight has a proven ability to apply its teamwork approach integrating technical details and business aspects to identify an opportunity and then develop and successfully execute an area strategy.

Conduct a multi disciplinary review of high potential areas in West Central that satisfy the Midnight investment strategy and play/prospect criteria.

Identify Caroline area, collect data and conduct detailed analysis to confirm prospectivity and potential by:

- **geologic and geophysics review and analysis of log, cores and seismic**
- **engineering review of analogue pools, area reserves and economics**
- **business review of land, property and opportunity availability.**

Acquire large Mannville study and related database and purchase 64 square miles of 3D seismic.

Identify and rank specific areas of high potential, determining their availability to acquire a portfolio of plays.

Acquire undeveloped land and large 3D seismic database through private purchase, and negotiate single well farm-in commitment.

Corporate Governance

It is no longer enough for companies to say, "Trust us; we are doing the right thing." The public needs transparent business practices and leaders who are accountable for their responsibilities for their companies. At Midnight, we have both:

- *ethical business practices that enable sustainable development of oil and gas resources while maintaining profitability*
- *leaders who are accountable to good business practices*

Fred Woods
President and Chief Executive Officer

March 31, 2004

KEY GOVERNANCE PRACTICES

- *An independent director acts as the Chairman of the Board, and all three committees are 100% independent.*
- *The independent committees of the Board are the Audit Committee, the Reserves Committee and the Compensation Committee. The Corporate Governance mandate is followed by all board members.*
- *The Audit Committee is responsible for the oversight of the financial reporting and the internal control systems of the Company. The Audit Committee meets on a regular basis with the Company's external auditors.*
- *All members of the Audit committee are financially literate, i.e., they can read and understand a balance sheet, an income statement and a cash flow statement of an oil and gas company.*
- *The Reserves Committee meets directly with the independent qualified reserves evaluator.*
- *The Board has responsibility for overall stewardship of the Company, and the Board regularly evaluates its effectiveness.*
- *The Board reviews and approves the contents of major disclosure documents, including the annual report and quarterly reports to shareholders.*
- *The Board meets on a regular basis; last year, the Board met six times in Calgary.*

UNRELATED DIRECTORS

Paul Moynihan, Chairman of the Board, is the Managing Director and a Partner of Mustang Capital Partners Inc., a Calgary-based investment banking and funds management firm. Formerly, Mr. Moynihan was a Managing Director – Investment Banking with TD Securities Inc. Mr. Moynihan has been a director of Midnight since October 28, 2002. He is a member of the Audit Committee, the Reserves Committee and the Compensation Committee.

Jay Squiers is a Senior Vice-President of Prudential Capital Group, a division of Prudential Financial, a publicly traded insurance and financial company listed on the New York Stock Exchange. Prudential Capital Group manages a portfolio of US$35 billion of private placement investments through eight offices including Dallas, Texas where Mr. Squiers is located. Mr. Squiers joined Midnight's board on October 30, 2003, and is a member of the Audit Committee, the Reserves Committee and the Compensation Committee.

Chris von Vegesack is a partner at Burnet, Duckworth & Palmer, a Calgary based law firm, since 1986. Mr. von Vegesack specializes in corporate finance, securities, and mergers and acquisitions. Mr. von Vegesack has been the Corporate Secretary since Midnight's inception on July 4, 2000 and joined the Board as a Director on March 30, 2004. Mr. von Vegesack is a member of the Audit Committee, the Reserves Committee and the Compensation Committee.

RELATED DIRECTORS

Fred Woods is the President and Chief Executive Officer of Midnight and, previously, was the President and Chief Operating Officer of Ulster Petroleums Ltd., an intermediate oil and gas company listed on the Toronto Stock Exchange. In June 2000, Mr. Woods founded Midnight Oil & Gas Ltd. after Ulster was acquired by Anderson Exploration Ltd.

Anthony Lambert is the Vice-President of Operations and Chief Operating Officer of Midnight, and has served in these positions since the founding of the Company. Before that, Mr. Lambert was Vice-President of Operations at Ulster Petroleums Ltd.

Supplementary Information

DRILLING HISTORY

The following table sets forth the gross and net wells in which Midnight participated during the periods indicated.

	2003			2002		
	Gross [1]	**Net [2]**	**W.I.**	Gross [1]	Net [2]	W.I.
Natural gas	**16**	**10.5**		16	9.9	
Crude oil	**4**	**4.0**		0	0.0	
Dry and abandoned	**4**	**1.6**		5	2.0	
Total	**24**	**16.1**	**67%**	**21**	**11.9**	**57%**
Success rate	**83%**	**90%**		76%	83%	

Notes:

[1] "Gross Wells" means the number of wells in which Midnight has an interest.

[2] "Net Wells" means the aggregate of the numbers obtained by multiplying each gross well by Midnight's percentage revenue working interest therein.

LAND HOLDINGS

The following table sets out Midnight's land holdings as at December 31, 2003 and 2002.

	Developed			Undeveloped			Total		
(acres)	Gross [1]	Net [2]	W.I.	Gross [1]	Net [2]	W.I.	Gross [1]	Net [2]	W.I.
Alberta	85,638	34,839		180,999	104,921		266,637	139,760	
British Columbia	4,223	1,721		5,640	1,736		9,863	3,457	
Total December 31, 2003	**89,861**	**36,560**	**41%**	**186,639**	**106,657**	**57%**	**276,500**	**143,217**	**52%**
Total December 31, 2002	43,005	15,873	37%	47,374	21,334	45%	90,379	37,207	41%

Notes:

[1] "Gross" refers to the total acres in which Midnight has an interest.

[2] "Net" refers to the total acres in which Midnight has an interest, multiplied by the percentage working interest therein owned by Midnight.

RESERVES

Midnight's natural gas reserves were evaluated, effective December 31, 2003, by Gilbert Laustsen Jung Associates Ltd., independent petroleum engineering consultants. The reserve estimates were prepared in accordance with National Instrument 51-101. Under NI 51-101, the proved reserves are to have a 90 percent probability that the volumes recovered will actually be equal to or exceed the proved reserve estimates. Proved plus probable reserves are the most likely case and are based on a 50 percent certainty that they will equal or exceed the reserves estimated. The new standard provides for a more conservative evaluation of proved and probable reserves, particularly on new wells where we have limited production history.

The established reserves assigned and published in our December 31, 2002 evaluation were considered to be a reasonable estimate of the reserves that would actually be recovered, and are therefore comparable to the proved plus probable reserves published this year under NI 51-101. Therefore, in order for year over year comparisons to be meaningful, established reserves for prior years are compared to proved plus probable reserves for December 31, 2003.

FORECASTED PRICES AND COSTS

	Midnight's interests in reserves				Present worth of future net pre-tax cash flows ($ millions)		
	Crude oil (mbbl)	NGLs (mbbl)	Natural gas (mmcf)	Total (mboe)	Undiscounted	Discounted at 10%	15%
Proved producing	397	292	14,676	3,134	52.0	39.1	35.3
Developed non-producing	282	22	5,132	1,160	18.1	12.1	10.2
Proved undeveloped	118	39	1,956	483	5.5	3.3	2.6
Total proved	797	353	21,764	4,777	75.6	54.5	48.1
Probable	294	141	8,176	1,798	27.6	14.2	11.1
Reserves December 31, 2003	**1,091**	**494**	**29,940**	**6,575**	**103.2**	**68.7**	**59.2**
Established Reserves[1] December 31, 2002	356	547	18,557	3,995	65.3	41.0	35.2

Notes:

[1] Under NI 51-101 revised reserves definition, the December 31, 2003 total proved plus probable reserves represent a best estimate for recoverable reserves and hence are comparable to the previous years established reserves which were comprised of total proved plus 50% of probable.

The GLJ Report estimates the future capital expenditures necessary to bring proved non-producing and undeveloped and probable reserves on production as well as maintain the proved producing reserves. The amounts estimated are $10,378,000 to be expended in 2004, $554,000 in 2005 and $54,000 thereafter.

The following prices for the first five years were used to calculate the reserve value for Midnight:

			Crude Oil		Natural Gas	
Year	Inflation %	Exchange Rate $US/$Cdn	WTI Cushing Oklahoma $US/bbl	Light Sweet at Edmonton $Cdn/bbl	Henry Hub $US/mmbtu	AECO Spot $Cdn/MMBTU
2004	1.5	0.75	29.00	37.75	5.10	5.85
2005	1.5	0.75	26.00	33.75	4.50	5.15
2006	1.5	0.75	25.00	32.50	4.35	5.00
2007	1.5	0.75	25.00	32.50	4.35	5.00
2008	1.5	0.75	25.00	32.50	4.35	5.00

CONSTANT PRICES AND COSTS

	Midnight's interests in reserves				Present worth of future net pre-tax cash flows ($ millions)		
	Crude oil (mbbl)	NGLs (mbbl)	Natural gas (mmcf)	Total (mboe)	Undiscounted	Discounted at 10%	Discounted at 15%
Proved producing	419	298	14,971	3,213	67.9	49.2	43.8
Developed non-producing	285	22	5,167	1,168	24.0	16.0	13.4
Proved undeveloped	118	40	1,959	483	8.0	4.8	3.9
Total proved	822	360	22,097	4,864	99.9	70.0	61.1
Probable	307	144	8,363	1,846	37.9	19.3	15.0
Reserves December 31, 2003	**1,129**	**504**	**30,460**	**6,710**	**137.8**	**89.3**	**76.1**
Established Reserves[1] December 31, 2002	373	548	18,443	3,995	90.2	56.1	47.9

Notes:

[1] *Under NI 51-101 revised reserves definition, the December 31, 2003 total proved plus probable reserves represent a best estimate for recoverable reserves and hence are comparable to the previous years established reserves which were comprised of total proved plus 50% of probable.*

The GLJ Report estimates the future capital expenditures necessary to bring proved non-producing and undeveloped and probable reserves on production as well as maintain the proved producing reserves. The amounts estimated are $10,378,000 to be expended in 2004, $546,000 in 2005 and $51,000 thereafter.

The following constant prices were used to calculate the reserve value for Midnight:

			Crude Oil		Natural Gas	
Year	Inflation %	Exchange Rate $US/$Cdn	WTI Cushing Oklahoma $US/bbl	Light Sweet at Edmonton $Cdn/bbl	Henry Hub $US/mmbtu	AECO Spot $Cdn/mmbtu
2004	0.0	0.77	32.52	40.81	5.77	6.08

RESERVES RECONCILIATION

The following table summarizes the changes in Midnight's total company working interest reserves and reconciliations before royalties for the 2003 calendar year based on forecasted prices and costs.

	Crude Oil *(mbbls)*			**NGLs** *(mbbls)*			**Natural Gas** *(mmcf)*		
	Proved	*Probable*[1]	*Total*	*Proved*	*Probable*[1]	*Total*	*Proved*	*Probable*[1]	*Total*
Total December 31, 2002	246	110	356	475	72	547	15,231	3,326	18,557
Exploration discoveries	9	4	13	43	13	56	3,900	900	4,800
Drilling extensions	–	–	–	37	31	68	3,100	1,400	4,500
Infill drilling	118	20	138	37	17	54	1,200	500	1,700
Technical revisions	(63)	59	(4)	(344)	(52)	(396)	(7,748)	(949)	(8,697)
Dispositions	(74)	(147)	(221)	–	–	–	–	–	–
Acquisitions	644	248	892	163	60	223	9,600	3,000	12,600
Total additions, net of revisions	634	184	818	(64)	69	5	10,052	4,851	14,903
Production	(83)		(83)	(58)		(58)	(3,520)		(3,520)
Total December 31, 2003	**797**	**294**	**1,091**	**353**	**141**	**494**	**21,763**	**8,177**	**29,940**

Notes:

[1] Under NI 51-101 revised reserves definition, the December 31, 2003 total proved plus probable reserves represent a best estimate for recoverable reserves and hence are comparable to the previous years established reserves which were comprised of total proved plus 50% of probable.

Total proved plus probable reserves increased 65% over the previous year, from 3,995 mboe to 6,575 mboe. Net acquisitions which included Capture Energy Ltd. and property acquisitions from our joint venture partners in the Sinclair and Fir areas, added 2,994 mboe to our reserves. Our exploration and exploitation program added an additional 2,162 mboe of reserves. The new NI 51-101 standard provides for a more conservative evaluation of proved and probable reserves, particularly on new wells where production history has not yet been established. Downward technical revisions totalled 1,850 mboe for the year. The major contributing factor was a direct result of production performance from our Garrington area which accounted for 45% of the revision. Approximately 16% of our technical revisions relate directly to the application of NI 51-101 with the balance of the revisions relating to production performance on various wells and areas to ensure that the reserves booked will actually be recovered.

Additional reserves data is disclosed in our 2003 Annual Information Form filed on SEDAR.

FINDING DEVELOPMENT AND ACQUISITION COSTS

	Proved	Proved and Probable	Capital	Finding Costs	
Net Additions 2003	(mboe)	(mboe)	(000's)	Proved	Proved and Probable
Before future capital					
Net acquisitions	2,333	2,994	$ 47,390	$ 20.31	$ 15.83
Exploration and development	1,611	2,162	$ 31,748	$ 19.71	$ 14.68
Total additions net of revisions	2,245	3,307	$ 79,138	$ 35.25	$ 23.93
Including future capital					
Exploration and development (proved)	1,611	n/a	$ 35,900	$ 22.29	n/a
Exploration and development (proved and probable)	n/a	2,162	$ 37,281	n/a	$ 17.24
Total additions net of revisions (proved)	2,245	n/a	$ 83,290	$ 37.09	n/a
Total additions net of revisions (proved and probable)	n/a	3,307	$ 84,671	n/a	$ 25.60
Since inception (2000-2003)					
All-in costs	5,670	7,467	$110,698	$ 19.52	$ 14.83
All-in costs including future capital (proved)	5,670	n/a	$118,478	$ 20.89	n/a
All-in costs including future capital (proved and probable)	n/a	7,467	$121,684	n/a	$ 16.30

Management's Discussion and Analysis

Forward Looking Statements

Certain information regarding Midnight Oil & Gas Ltd. set forth in this document, including management's assessment of the Company's future plans and operations, contains forward looking statements that involve substantial known and unknown risks and uncertainties. By their very nature, these forward looking statements are subject to numerous risks and uncertainties, certain of which are beyond Midnight's control. Actual results could differ materially from those currently anticipated due to any number of factors including such variables as new information regarding recoverable reserves, volatility of commodity prices, competition from other producers, environmental, legislative, regulatory and political changes along with other factors discussed in our annual report. Accordingly, no assurance can be given that any events anticipated by the forward looking statements will transpire or occur, or if any of them do, what the impact to Midnight will be.

Basis of Presentation

The financial data presented below has been prepared in accordance with Canadian Generally Accepted Accounting Principle ("GAAP"). The reporting and the measurement currency is the Canadian dollar. For the purpose of calculating unit costs, natural gas is converted to a barrel equivalent ("boe") using six thousand cubic feet of natural gas equal to one barrel of oil unless otherwise stated.

Non-GAAP Measurements

Within the Management Discussion and Analysis references are made to terms commonly used in the oil and gas industry. Cash flow and cash flow per share are not defined by GAAP in Canada and are referred to as non-GAAP measures. Cash flow represents funds from operations as detailed on the Consolidated Statements of Cash Flows. Cash flow per share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of net income per share.

Supplemental Information

A fourth quarter 2003 report is filed on SEDAR, please refer to this report for fourth quarter analysis. For complete reserve information please review the 2003 Annual Information Form.

The Management Discussion and Analysis for Midnight Oil & Gas Ltd. should be read in conjunction with the audited annual Consolidated Financial Statements and accompanying notes.

HIGHLIGHTS

- *Production increased 339% to 1,993 boe/d from 453 boe/d*
  - *– Natural gas production averaged 9,643 mcf/d*
  - *– Liquids production averaged 386 bbls/d*
- *Cash flow of $16,946,000 ($0.88/diluted share)*
- *Strong netbacks of $26.19/boe combined with production growth leads to record cash flow*
- *Midnight conducted an active exploration and development drilling program*
  - *– 24 gross (16.1 net) wells*
  - *– 16 gross (10.5 net) natural gas wells*
  - *– 4 gross (4.0 net) oil wells*
  - *– 4 gross (1.6 net) dry wells*
  - *– over 90% success rate*
- *Proved reserves increased 1,517 mboe to 4,777 mboe from 3,260 mboe (Under NI 51-101)*
- *Proved and probable reserves increased 2,579 mboe to 6,575 mboe from 3,995 mboe (Under NI 51-101)*
- *On December 23, 2002 the Company completed the reverse takeover of Foothills Oil & Gas Ltd. to become a publicly listed company on the TSX Venture Exchange*
- *On February 24, 2003 the Company became listed on the Toronto Stock Exchange under the trading Symbol "MOG"*
- *On April 22, 2003, the Company acquired all of the outstanding shares of Capture Energy Ltd., a private company*
- *In August the Company acquired additional interests in our Sinclair oil property for $12.2 million*
- *On September 10, 2003 the Company raised $12.55 million by the issuance of 1.515 million common shares at a price of $6.60/share and 300 thousand flow through shares at $8.50/share.*

PETROLEUM AND NATURAL GAS SALES

Over the past year, Midnight generated a 599% increase in petroleum and natural gas sales from 2002 as a result of increased production and strong commodity prices. Production grew from an average 453 boe/d in 2002 to average 1,993 boe/d in 2003. Successful exploration has been the catalyst for our production increase as 811 boe/d were added from our drilling, 537 boe/d came from the Capture acquisition and 192 boe/d came from property acquisitions. A limited amount of production has been added to date from our 2003-2004 winter exploration program and the rewards of this drilling will be seen in our production increases in the 2nd and 3rd quarters of 2004.

The following tables outline our production sales, volumes and average sales price for each reported period.

Petroleum and Natural Gas Sales

(000's)	**2003**	2002
Natural gas	**$ 24,400**	$ 4,081
Liquids and oil	**5,099**	179
Royalty income	**292**	0
Total	**$ 29,791**	$ 4,260

Production

	2003	2002
Natural gas (mcf/d)	**9,643**	2,599
Liquids and oil (bbls/d)	**386**	20
Total (boe/d)	**1,993**	453

Prices and Marketing

	2003	2002
Benchmark Prices		
AECO gas ($/mcf)	**$ 6.68**	$ 4.07
WTI oil (US $/bbl)	**31.10**	26.13
CDN/US average exchange rate	**0.716**	0.637
Edmonton par (Cdn $/bbl)	**$ 43.23**	$ 40.37
Midnight's Average Selling Price		
Natural gas ($/mcf)	**$ 6.93**	$ 4.30
Liquids and oil ($/bbl)	**36.21**	25.19
Total ($/boe)	**$ 40.95**	$ 25.78

Midnight markets its natural gas on a spot market basis at various delivery points in Alberta and British Columbia and therefore the average AECO spot market price in Canadian dollars per mcf is an appropriate benchmark for our gas. For 2003 Midnight realized a natural gas selling price of $6.93 per mcf a 61% increase over 2002 which is consistent with the increase in the AECO gas price. Midnight's natural gas production accounted for over 80% of the production volumes and as such the liquids price is not as significant of a factor to our overall revenue.

North American crude oil prices are benchmarked in American dollars per barrel using the West Texas Intermediate (WTI) price at Cushing, Oklahoma. Canadian crude oil prices are based on refiners' postings, primarily at Edmonton, Alberta, and represent the WTI price after adjusting for transportation, quality differentials and the Canadian/United States exchange rate. The average WTI price in 2003 increased 19% from 2002, but was partially offset by a 12% stronger Canadian dollar which averaged 71.6 cents in 2003 versus 63.7 cents in 2002. Midnight realized an oil price of $38.17/bbl and an NGL price of $33.38/bbl to average a combined liquids price of $36.21/bbl. Oil accounted for 59% of total liquids production with natural gas liquids comprising the balance. In 2002, Midnight produced only 2 bbls of oil per day and 18 bbls of liquids per day, hence comparative figures are not relevant.

Midnight did not buy or sell any commodity or currency hedges in 2003 or 2002.

ROYALTIES

Total royalties for 2003 increased 549% to $7,229,000 over 2002 substantially as a result of the 599% increase in petroleum and natural gas sales. As the Crown based portion of production increases, crown royalties become a larger percentage of our total royalty structure. As a result, our 2003 royalty rate declined to 24.3% versus 26.2% in 2002.

On the products side of the equation, in 2003 gas royalties averaged 26.4%, associated liquids averaged 30.5% and oil averaged 16.5%. In 2004, the Company expects the overall royalty rate to continue to decline, reducing slightly from 2003 to approximately 23% with a gas royalty rate of 23% and a combined oil and liquids royalty rate of 22%.

Royalties

(000's)	2003	2002
Crown	**$ 6,197**	$ 656
Freehold and other	**1,532**	565
ARTC	**(500)**	(107)
Total	**$ 7,229**	$ 1,114

Royalty Rates

(as a % of revenue)	2003	2002
Crown	**20.8%**	15.4%
Freehold and other	**5.2%**	13.3%
ARTC	**(1.7%)**	(2.5%)
Total	**24.3%**	26.2%

PRODUCTION EXPENSES

Midnight's low operating costs in 2002 were attributable to our production base of sweet natural gas, new facilities and Midnight's control of its facilities. With the acquisition of Foothills with its mature production, and forecasting increased costs from our production base, we expected the operating costs to rise just over $4.00/boe in 2003. During the year, the acquisition of Capture, increased oil production and increased production of sour gas from our Beaverlodge area further raised the operating costs for 2003 to $4.82/boe. Midnight forecasts production costs to remain around the $5.00/boe level for 2004.

Production Expenses

	2003	2002
Production expenses (000's)	**$ 3,507**	$ 457
Total ($/boe)	**$ 4.82**	$ 2.77

OPERATING NETBACK

Midnight's operating netback per boe increased by 61% over the past year as sales price per boe increased by 59% and the increase in operating costs were offset by the reduction in royalties. As mentioned previously, natural gas prices increased 61% from an average price of $4.30/mcf in 2002 to $6.93/mcf for 2003. Gas production accounted for 81% of our production totals.

Operating Netback

($/boe)	2003	2002
Sales price	**$ 40.95**	$ 25.78
Royalties	**9.94**	6.74
Operating expense	**4.82**	2.77
Operating netback	**$ 26.19**	$ 16.27

OTHER REVENUE AND INTEREST EXPENSE

The prior period other revenue is comprised of interest income. For 2003 other revenue is comprised mainly of a hedging gain resulting from a hedge acquired by Midnight through the Capture acquisition. At the time of the acquisition on April 22, 2003 Capture held two physical hedges totalling 2,000 gj/d at an average price of $4.33/gj. Midnight accounted for these hedging contracts as a $750,000 liability in the purchase. These contracts expired on November 1, 2003 with a realized loss of $548,000. As a result Midnight recognized a gain recorded in other income of $202,000 being the difference between the original $750,000 accounting of the hedge liability and the actual losses incurred.

Other Revenue and Interest Expense

(000's)	2003	2002
Other revenue	**$ 296**	$ 198
Interest expense	**$ (169)**	$ 0
$/boe	**$ 0.18**	$ 1.20

Midnight has accessed its debt facility since May 2003 resulting in interest expense of $169,000 for the current year with no corresponding charge in 2002. At December 31, 2003, Midnight's debt totalled $7,833,000 which bears interest at the bank's prime rate.

GENERAL AND ADMINISTRATIVE EXPENSES

The risks, costs and highly technical nature of Midnight exploration activities and field operations rely heavily on specific skills and experience. As a result Midnight aims to maintain a full complement of highly technical exploration and exploitation staff and employs a comparatively larger staff than most equivalent production sized companies. At December 31, 2003, Midnight employed 27 permanent fulltime staff and utilized the part time services of nine consultants versus 13 permanent fulltime staff and five consultants at December 31, 2002. Overall general and administration expenses have increased, up $1,015,000 for the 2003 year, as the Company continues to add staff to enable the Company to generate and capitalize on growth opportunities. On a per boe basis, 2003 costs have decreased 55% from 2002 as the expenses are being spread over a larger production base. The transition from a private Company in 2002 to a public entity in 2003 increased costs due to both one time expenses and ongoing charges.

General and Administrative Expense

(000's)	**2003**	2002
Gross general and administration	**$ 4,427**	$ 2,079
Direct geological costs	**(1,750)**	(651)
Overhead recoveries	**(613)**	(379)
Net general and administrative	**$ 2,064**	$ 1,049
$/boe	**$ 2.84**	$ 6.35

The direct costs associated with the exploration department have been charged to geological and geophysical expenditures consistent with generally accepted accounting principles. These direct costs include capitalized salaries of the exploration department for the year ended December 31, 2003 of $1,417,000 (2002 – $492,000) and direct charges of $333,000 (2002 – $159,000).

Midnight's gross general and administrative costs in 2004 are expected to increase as a result of higher staffing levels to develop and operate our larger asset base, and higher costs associated with corporate reporting standards being implemented. However, our general and administration charge per boe should continue to decrease as we increase our production base.

DEPLETION, DEPRECIATION AND SITE RESTORATION

Depletion and depreciation per boe increased to $15.60 from $8.84. The increase in the rate results from higher proven finding and development costs. For the year ended December 31, 2003 the proven finding cost net of revisions totalled $35.25/boe versus $9.41/boe for the prior year. We expect our depletion and depreciation rate to decline as we continue to add reserves at a lower finding and development cost than the cost from inception to date.

The site restoration provision, which is a component of total depletion and depreciation expense, is intended to cover the liability associated with future well abandonment and site restoration costs. At year end the Company estimated the total future costs to be $5,161,000, before salvage (2002 – $825,000).

Depletion, Depreciation and Site Restoration

(000's)	2003	2002
Depletion and depreciation	$ 10,975	$ 1,430
Site restoration	373	30
Total	**$ 11,348**	$ 1,460
$/boe	$ 15.60	$ 8.84

Additional reserves data is disclosed in our 2003 Annual Information Form filed on SEDAR.

CEILING TEST

In accordance with the Canadian Institute of Chartered Accountants' full cost accounting guideline five, Midnight performs a ceiling test calculation at each reporting period using period end prices. At December 31, 2003, using the month end price of $6.08/mcf for natural gas, $38.32/bbl for crude oil and $30.86/bbl for natural gas liquids, the net recoverable amount calculated under the ceiling test exceeded the net book value of petroleum and natural gas properties. The ceiling test is a cost recovery test and is not intended to result in an estimate of fair market value.

TAXES

The future tax provision increased to $1,553,000 for 2003 compared to $133,000 for 2002 in line with the increase in income before taxes. The 2003 future tax provision includes a $929,000 benefit relating to substantively enacted changes to the federal income tax rate and allowed deductions for determining resource income. These changes will reduce the applicable federal tax rate on resource income by seven percent, provide for the deduction of crown royalties against resource income and eliminate the deduction for resource allowance over a five year period. This rate reduction will continue to impact future taxes, improving future profitability as the changes are phased in over the next five years. The effective tax rate for 2003 was 30%.

Midnight's future tax liability increased $6,389,000 in 2003 due to the current provision, a future tax liability from Capture of $3,850,000, and a $1,420,000 tax liability arising from the issuance of flow through shares. These increases were offset by a $434,000 tax asset relating to the share issue costs incurred in 2003.

Midnight is subject to large corporation's capital tax of 0.225% per year as its stated capital exceeds $10 million. Midnight provided for $172,000 for the year ended December 31, 2003 up from $50,000 for the same period in 2002. The increase is the result of a larger asset base compared to the corresponding period.

Midnight had no current income taxes payable in 2003 other than Large Corporation's Tax nor does it expect to become taxable on an income tax basis in 2004. The Company has approximately $76.9 million in tax pools to shelter taxable income in future years of which $22.8 million were acquired with the Capture acquisition.

Tax Pools

(000's)	2003
Canadian exploration expense	$ 28,300
Canadian development expense	14,000
Canadian oil and gas property expense	15,800
Undepreciated capital cost	16,200
Share issue costs	2,600
Total	**$ 76,900**

CASH FLOW AND NET INCOME

Cash flow from operations totalled $ 16,946,000 for the year ended December 31, 2003 (December 31, 2002 – $1,788,000). The increase in cash flow is the result of a growing production base along with the achievement of a higher netback. The various factors contributing to the changes in cash flow and net income and the quantum of the impact are detailed in the table below.

Change in Cash Flow and Net Income

(000's)	*Cash Flow*	*Net Income*
Year ended December 31, 2002	*$ 1,788*	*$ 195*
Increase in revenue:		
Additional production volumes	*10,709*	*10,709*
Change in prices, net of royalties	*8,707*	*8,707*
Other activities	*98*	*98*
Increase in expenses:		
Production	*(3,050)*	*(3,050)*
Interest	*(169)*	*(169)*
General and administrative	*(1,015)*	*(1,015)*
Depletion, depreciation and site restoration		*(9,888)*
Taxes	*(122)*	*(1,542)*
Year ended December 31, 2003	***$ 16,946***	***$ 4,045***

Cash flow per basic share averaged $0.91 for 2003 (2002 – $0.17), while cash flow per diluted share averaged $0.88 for 2003 (2002 – $0.16). Net income for the year totalled $4,045,000 (2002 – $195,000). Net income per basic share averaged $0.22 for 2003 (2002 – $0.02) and net income per diluted share averaged $0.21 for 2003 (2002 – $0.02).

EQUITY

Pursuant to a private placement in connection with the reverse takeover of Foothills Oil & Gas Ltd., ("Foothills") the Company issued 95,238 common shares for gross proceeds of $400,000 on January 31, 2003 and 126,191 common shares for gross proceeds of $530,000 on April 29, 2003. These private placements consisted of 123,016 common shares and 98,413 flow through shares.

On April 22, 2003, Midnight completed the takeover of Capture Energy Ltd. ("Capture") by issuing 4,424,996 common shares for all the issued and outstanding shares and special warrants of Capture at an exchange ratio of 0.16 Midnight shares for every 1.0 share of Capture.

On September 10, 2003 Midnight completed a private placement, resulting in the issuance of 1,815,152 common shares for gross proceeds of $12,550,000. This private placement consisted of 1,515,152 common shares and 300,000 flow through shares.

The required capital expenditures to satisfy Midnight's obligations for all flow through shares have been met in 2003.

During the year individuals holding Midnight stock options including former officers and directors of Foothills (acquired pursuant to the reverse takeover) exercised 618,805 stock options for cash proceeds of $1,379,000. During 2003 Midnight issued options to acquire 556,000 common shares to new employees and a new director at fair market prices at the time of the issue ranging from $4.50 to $6.60.

At December 31, 2003, Midnight had 944,700 stock options outstanding to employees, officers and directors of the Company for gross proceeds of $3,415,500. All options are granted for a maximum term of five years and vest over three years from the date granted.

Share Information

(000's)	**2003**	2002
Shares outstanding		
Basic	***21,684***	*14,604*
Diluted	***22,629***	*15,740*
Weighted average shares outstanding		
Basic	***18,679***	*10,629*
Diluted	***19,150***	*11,161*

As at March 22, 2004 the issued and outstanding common shares of the Company were 21,865,765 and 763,000 stock options were outstanding.

CAPITAL EXPENDITURES

The Company doubled its expenditures towards oil and natural gas assets to $45,751,000 for the 2003 year compared to 2002. Capital expenditures focused on the exploration program, drilling 24 gross (16.1 net) wells in the year resulting in 16 gross (10.5 net) gas wells, 4 gross (4.0 net) oil wells and 4 gross (1.6 net) dry and abandoned wells. In addition to the drilling program, Midnight invests in facilities through acquisitions and/or construction of new facilities to maintain control of operations and costs. During the year, the Company acquired its joint venture partners working interests in the Sinclair and Fir areas and disposed of its holding in the Hayter heavy oil area for a net property acquisition cost of $13,878,000. The Sinclair acquisition will allow Midnight to proceed with its water flood program in 2004 to further exploit and develop this area.

The Corporate acquisition of Capture paid in the form of 4,424,996 Midnight shares assigned $33,512,000 to petroleum and natural gas assets resulting in a proved plus probable finding cost of $18.33 /boe using NI 51-101. The $2,400,000 difference between the total cost of the acquisition and the value of the net assets acquired has been recorded as goodwill. The goodwill represents the future value of the combination of the assets and is supported by the synergies provided in the core areas of operations along with strategic toeholds in new areas of interest to Midnight, specifically the Sinclair area. The Capture acquisition included specific development and exploitation opportunities (Sinclair), added to Midnight's production base, broadened its asset base and helped to mitigate the risk associated with the higher exploration component in Midnight.

Capital Expenditures

(000's)	**2003**	2002
Land	***$ 1,922***	*$ 1,745*
Geological and geophysical	***2,791***	*1,460*
Development drilling	***3,147***	*7,090*
Exploration drilling	***7,428***	*4,082*
Completions	***6,992***	*3,124*
Facilities pipelines and equipment	***9,468***	*2,549*
Net property acquisitions	***13,878***	–
Other assets	***125***	*41*
Oil and natural gas assets	***$ 45,751***	*$ 20,091*
Abandonment expenditures	***327***	–
Corporate acquisitions	***33,512***	*6,635*
Total capital expenditures	***$ 79,590***	*$ 26,726*

LIQUIDITY AND CAPITAL RESOURCES

Midnight Oil & Gas Ltd. became a public Company on the TSX Venture Exchange with the reverse takeover of Foothills Oil & Gas Ltd. on December 23, 2002 continuing under the name of Foothills. On February 5, 2003, at a Special Shareholders Meeting, the name of the Company was changed back to Midnight Oil & Gas Ltd. and the stock was consolidated on one new share for 18 shares. On February 24, 2003 the Company was listed as a senior producer on the Toronto Stock Exchange under the symbol "MOG". The Company's market capitalization at December 31, 2003 was $148.5 million.

Trading History on the TSX

	Q1	Q2	Q3	Q4
High	*$ 5.70*	*$ 5.60*	*$ 7.30*	*$ 7.20*
Low	*$ 4.12*	*$ 4.60*	*$ 4.51*	*$ 6.30*
Close	*$ 5.15*	*$ 5.40*	*$ 6.65*	*$ 6.85*
Volume (000's)	*357*	*6,396*	*3,974*	*3,427*

At December 31, 2003, Midnight had outstanding on its credit facility $7,833,000 and a working capital deficiency of $10,471,000, totalling $18,304,000 of total net debt. The Company increased its credit facility on June 27, 2003 to $20 million and on February 17, 2004 to $25 million. Midnight raised additional capital in the third quarter to fund the acquisition of the Sinclair property which had not been forecast in the original annual corporate budget. The Company's cash flow and debt availability are sufficient to meet our current obligations and budgeted capital expenditure program but will require an expansion of our debt facility or issuance of shares to expand our capital budget in response to our continued drilling success. Our credit facility is scheduled for renewal May 31, 2004.

CONTRACTUAL OBLIGATIONS

The contractual obligations for which the Company is responsible, are as follows:

Contractual Obligations

(000's)	**Total**	**Less Than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
Long term debt	*7,833*	–	*7,833*	–	–
Operating leases	*1,477*	*356*	*685*	*436*	–
Total contractual obligations	***9,310***	***356***	***8,518***	***436***	–

Midnight enters into many contract obligations as part of conducting day to day business. Material contract obligations consist only of our long term debt with a major bank and our current five year operating lease for our current office space. Midnight has not entered into any firm transportation commitments to date.

APPLICATION OF CRITICAL ACCOUNTING ESTIMATES

The significant accounting policies used by Midnight are disclosed in note 1 to the Consolidated Financial Statements. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on a regular basis. The emergence of new information and changed circumstance may result in actual results or changes to estimated amounts that differ materially from current estimates. The following discussion helps to assess the critical accounting policies and practises of the Company and the likelihood of materially different results being reported.

Proved Reserves

Under the newly implemented National Instrument 51-101 "Proved" reserves are defined as those reserves that can be estimated with a high degree of certainty to be recoverable. The level of certainty should result in at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated Proved reserves. It does not mean that there is a 90% probability that the Proved reserves will be recovered – it means there must be at least a 90% probability that the given amount or more will be recovered.

"Proved plus Probable" reserves are the most likely case and are based on a 50 percent certainty that they will equal or exceed the reserves estimated. The new standard provides for a more conservative evaluation of proved and probable reserves, particularly on new wells where production history has not yet been established.

The established reserves assigned and published in our January 1, 2003 evaluation were considered to be a reasonable estimate of the reserves that would actually be recovered, and are therefore comparable to the proved plus probable reserves published this year under NI 51-101.

These oil and gas reserve estimates are made using all available geological and reservoir data, as well as historical production data. Estimates are reviewed on a quarterly basis and revised as appropriate. Revisions occur as a result of various factors including: actual reservoir performance, changes in price and cost forecasts or a change in the Company's plans. Reserve changes will impact the financial results as reserves are used in the calculation of depletion and are used to assess whether asset impairment occurs. Reserve changes also affect other Non-GAAP measurements such as finding and development costs, recycle ratios and net asset value calculations.

Depletion

The Company follows the full cost method of accounting for oil and natural gas properties. Under this method, all costs related to the acquisition of, exploration for and development of oil and natural gas reserves are capitalized whether successful or not. Depletion of the capitalized oil and natural gas properties and depreciation of production equipment which includes estimated future development costs less estimated salvage values are calculated using the unit of production method, based on production volumes in relation to estimated proven reserves.

An increase in estimated proved reserves would result in a reduction in depletion expense. A decrease in estimated future development costs would also result in a reduction in depletion expense.

Unproved Properties

The cost of acquisition and evaluation of unproved properties are initially excluded from the depletion calculation. These properties are assessed to ascertain whether impairment in value has occurred. When proved reserves are assigned or a property is considered to be impaired, the cost of the property or the amount of the impairment will be added to the capitalized costs for the calculation of depletion.

Ceiling Test

The ceiling test is a cost recovery test intended to identify and measure potential impairment of assets. The total capitalized costs, less accumulated depletion and depreciation, site restoration provision and future income taxes will be limited to an amount equal to the estimated future net revenue from proved reserves plus the cost of unproved properties and estimated net realizable value of equipment and facilities less estimated future general and administrative expenses, financing costs and income taxes. Future net revenue is estimated based upon constant prices using oil and gas prices at the period end date. By their nature, the estimates as mentioned are subject to measurement uncertainty and the impact on the financial statements could be material. Any reduction as a result of this ceiling test will be charged to operations as additional depletion and depreciation expense.

Effective January 1, 2004 the Company will change its calculation of the ceiling test as noted below in Oil and Gas Assets – Full Cost Accounting.

Future Site Restoration and Abandonment Costs

Estimated future site restoration costs are provided over the life of the proved reserves on the unit of production method based on the estimated proved reserves. Costs will be estimated each year by management in accordance with current regulations, costs, and technology and industry standards. The annual provision is included in depletion and depreciation expense.

Effective January 1, 2004 the Company will change its accounting policy to adopt the new Asset Retirement Obligations as noted below.

Business Combinations

As disclosed in Note 2 to the Consolidated Financial Statements Midnight acquired Capture and Foothills and accounted for these acquisitions using the purchase method based on fair values. The determination of fair value involves numerous estimates. The valuation of capital assets is based on Midnight's estimate of proved plus probable reserves using estimated forecasted prices at the time of acquisition, plus an estimation of unproved properties. Management also estimates the fair value of other assets and liabilities acquired on the acquisition. This valuation could differ materially by altering the various assumptions which would have impacted the composition of the balance sheet including the calculation of goodwill.

Income Taxes

The determination of income and other tax liabilities requires interpretation of complex laws and regulations. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded by management.

NEW ACCOUNTING STANDARDS TO BE ADOPTED IN 2004

Stock Based Compensation

In September 2003, the CICA issued an amendment to section 3870 of the CICA Handbook on Stock based compensation and other stock based payments. The amendment requires the recognition of stock based compensation expense for all options as they are granted. The model that has been adopted by many companies to determine the fair value of options granted is the Black-Scholes model. The value of the options is recorded as compensation expense over the estimated hold period to grant. The new standard will be applied retroactively to July 1, 2002. Early adoption in 2003 allows Company's to continue with pro forma disclosure for options granted prior to 2003, thus reducing the impact on earnings. Early adoption would have only a minimal impact on Midnight. Had the Company adopted the amendment in 2003, net income would have been reduced by $165,000 in 2003 and $4,000 in 2002 as disclosed in note 5(f) of the audited consolidated financial statements.

Asset Retirement Obligations

In March 2003, the CICA issued a new section in the CICA Handbook, section 3110 on Asset Retirement Obligations. This standard focuses on the recognition and measurement of liabilities related to legal obligations associated with the retirement of capital assets. The new standard recognizes a liability equal to the discounted fair value of the obligation in the period in which the asset is recorded with an equal offset to the carrying amount of the asset. The liability then accretes to its fair value with the passage of time and the accretion is recognized as an expense in the financial statements. The prior standard resulted in an accumulation of costs over the useful life of the related asset. This section comes into effect for January 1, 2004 and must be implemented retroactively, with restatement of prior periods. Midnight is currently evaluating the impact of this standard on its consolidated financial statements and does not anticipate it will have a material impact.

Oil and Gas Assets – Full Cost Accounting

In September 2003 the CICA issued Accounting Guideline 16 which details a new ceiling test (impairment test) calculation. The ceiling test will be a two part test. The first part recognizes if impairment has occurred based on undiscounted future cash flows using estimated future prices and proved reserves. The second part of the test measures the amount of impairment based on discounted cash flows of proved and probable reserves. The discount rate used is the risk free rate. The guideline requires disclosure of the prices used for purposes of the impairment test. Had Midnight adopted the guideline for 2003, using an average prices over the life of the reserves of $5.21/mcf for natural gas, an oil price of $30.97/bbl Canadian and an NGL price of $23.18/bbl, the Company's ceiling test cushion would be nominal. The guideline is effective for fiscal years beginning on or after January 1, 2004.

Continuous Disclosure Obligations

Effective for fiscal years beginning on or after January 1, 2004, all reporting issuers in Canada will be subject to new disclosure requirements as per National Instrument 51-102 "Continuous Disclosure Obligations". NI 51-102 proposes shorter reporting periods for filing interim financial statements (45 days after quarter end) and annual filings including the Annual Report, Management Discussion and Analysis and Annual Information Form (90 days after the fiscal year end). This policy will require a higher level of disclosure than in the past. The Company is striving to meet the disclosure requirements for its 2003 fiscal year end.

In addition, NI 51-102 has proposed new requirements for proxy solicitations, information circulars and annual and interim mailings. It will no longer be mandatory for the Company to mail annual and interim financial statements to shareholders, but rather these documents will be provided on an "as requested" basis. It is the Company's intention to make these documents available on Midnight's website on a continuous basis along with the filing on SEDAR.

Lastly, issuers that complete significant acquisitions after March 29, 2004, will be required to file business acquisition reports which will contain financial statements for those acquisitions.

BUSINESS CONDITIONS AND RISKS

Midnight's operations are subject to risks normally associated with the oil and gas industry. The principal business risks arise from (i) the volatility of oil and natural gas selling prices, (ii) the uncertainty of economically finding and producing reserves, (iii) the production and operational risks, (iv) competition from other oil and gas companies, and (v) increasing environmental regulation.

Midnight's management recognizes that although these risks may not be controlled, they can be monitored and mitigated. The recognition of these risks and knowledge of the ways to mitigate these risks are directly attributable to the experience of management. Each member of the executive management team has more than 20 years of experience in the oil and gas industry.

Commodity prices are driven by supply, demand and market forces outside of the Company's influence and control. The Company monitors its netbacks against the current market conditions. The Company can react quickly to a changing price deck by altering its capital expenditures. Midnight employs conservative forecasts and budgets when running economics on our plays.

The risks associated with exploration, development and production activities and external competition are minimized by concentrating activities in areas where prospects have multi-zone potential and Midnight has technical and operational expertise. Extensive geological, geophysical, engineering, environmental and financial analyses are performed prior to drilling or acquiring new prospects.

To minimize the production and operational risk, Midnight tries to operate and therefore control the operations. The Company invests significantly in facilities and infrastructure in their major areas of production. Good working relationships with industry partners minimize the impact of production shut ins and accelerate the tie in of discoveries.

Midnight is committed to conducting its operations in a manner that avoids adverse impact on the natural environment. The Company strives to maintain and surpass compliance with all current environmental legislation and works with government agencies to maintain this level of compliance. Midnight has an operational emergency response plan and has established an operations safety manual.

The Company maintains an insurance program consistent with industry practice to protect against losses due to accidental destruction of assets, well blowouts and pollution.

To ensure future profitability, Midnight will strive to economically find, develop and exploit reserves, will keep cash costs and administration to a minimum, and will thereby maximize future netbacks, cash flow and net income.

OUTLOOK

2003 was a record year for Midnight. The Company achieved significant growth with a successful drilling program and strategic acquisitions. Midnight continues to focus on delivering low cost production and maintaining high netbacks. 2003 saw Midnight increase its net undeveloped land base from 21,000 acres to 107,000 net undeveloped acres. This increase in land will provide the platform for multi year exploration and development opportunities in core areas.

Midnight has a 2004 capital budget of $35 million which provides for the drilling of over 35 wells. Production for the year should average between, 18 to 20 mmcf/d for natural gas and 650 to 750 bbls/d of oil and liquids. This should generate cash flow of $26 to $29 million or $1.21 to $1.35/diluted share. Forecasts are based on gas price of $5.75/mcf and WTI oil price of $30 US/bbl with an exchange rate of $0.75. Midnight expects to maintain operating costs near $5.00/boe while decreasing general and administrative expenses to $2.00/boe.

The financial statements of Midnight Oil & Gas Ltd. and all information in this annual report are the responsibility of management and have been approved by the Board of Directors. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The financial statements include amounts that are based on estimates, which have been objectively developed by management using all relevant information. All financial and operating data in this annual report is consistent with the information in the financial statements.

Midnight Oil & Gas Ltd. maintains appropriate systems of internal control to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss or misuse and financial records are properly maintained to provide reliable information for the preparation of financial statements.

KPMG LLP an independent firm of chartered accountants, has been engaged to examine the financial statements and provide their auditor's report. Their report is presented with the financial statements.

The directors are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board carries out this responsibility principally through its Audit Committee. The Audit Committee is comprised entirely of outside directors and meets regularly with management and with the Company's external auditors to discuss the results of their audit examination and to review issues related thereto. The external auditors have full access to the Audit Committee with and without the presence of management. The Audit Committee reviews the financial statements and Management's Discussion and Analysis and recommends their approval to the Board of Directors.

Fred Woods
President and Chief Executive Officer
Calgary, Alberta

March 22, 2004

Judith A. Stripling
Vice President Finance and Chief Financial Officer

We have audited the consolidated balance sheets of Midnight Oil & Gas Ltd. as at December 31, 2003 and 2002 and the consolidated statements of operations and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Calgary, Canada

March 22, 2004

Midnight Oil & Gas Ltd.

Consolidated Balance Sheets

(In Thousands of Dollars)	**December 31, 2003**	December 31, 2002
Assets		
Current assets:		
Cash and cash equivalents	**$ 174**	$ 10,931
Accounts receivable	**10,077**	2,407
Deposits and prepaid expenses	**559**	198
	10,810	13,536
Petroleum and natural gas assets *(note 3)*	**98,724**	30,436
Goodwill	**3,800**	1,400
	$ 113,334	$ 45,372
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 21,281**	$ 7,448
Long-term debt *(note 4)*	**7,833**	–
Provision for future site restoration	**810**	103
Future income taxes *(note 6)*	**7,450**	1,061
Shareholders' equity:		
Share capital *(note 5)*	**71,765**	36,610
Retained earnings	**4,195**	150
	75,960	36,760
	$ 113,334	$ 45,372

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Director

Director

Midnight Oil & Gas Ltd.

Consolidated Statements of Operations and Retained Earnings

(In Thousands of Dollars)	**Year ended December 31, 2003**	Year ended December 31, 2002
Revenues:		
Petroleum and natural gas sales	**$ 29,791**	$ 4,260
Royalties, net of Alberta Royalty Tax Credit	**(7,229)**	(1,114)
Other income	**296**	198
	22,858	3,344
Expenses:		
Production	**3,507**	457
General and administration	**2,064**	1,049
Interest	**169**	–
Depletion, depreciation and site restoration	**11,348**	1,460
	17,088	2,966
Income before taxes	**5,770**	378
Taxes *(note 6)*:		
Capital	**172**	50
Future	**1,553**	133
	1,725	183
Net income	**4,045**	195
Retained earnings (deficit), beginning of year	**150**	(45)
Retained earnings, end of year	**$ 4,195**	$ 150
Income per share *(note 5(d))*:		
Basic	**$ 0.22**	$ 0.02
Diluted	**$ 0.21**	$ 0.02

See accompanying notes to consolidated financial statements.

Midnight Oil & Gas Ltd.

Consolidated Statements of Cash Flows

(In Thousands of Dollars)	***Year ended December 31,* 2003**	*Year ended December 31,* 2002
Cash provided by (used in):		
Operations:		
Net income	**$ 4,045**	$ 195
Items not involving cash:		
Depletion, depreciation and site restoration	**11,348**	1,460
Future taxes	**1,553**	133
Funds from operations	**16,946**	1,788
Site restoration and abandonment expenditures	**(326)**	–
Changes in non-cash working capital	**(5,974)**	(259)
	10,646	1,529
Financing:		
Increase in long-term debt	**7,833**	–
Issue of common shares	**14,859**	19,770
Repayment of debt from acquisition	**(7,097)**	(2,602)
Share issue costs	**(1,096)**	(1,348)
Changes in non-cash working capital	**(209)**	209
	14,290	16,029
Investments:		
Oil and natural gas property additions	**(45,751)**	(20,091)
Corporate acquisitions *(note 2)*	**(46)**	(109)
Changes in non-cash working capital	**10,104**	3,739
	(35,693)	(16,461)
Changes in cash	**(10,757)**	1,097
Cash, beginning of year	**10,931**	9,834
Cash, end of year	**$ 174**	$ 10,931

See accompanying notes to consolidated financial statements.

Nature of operations:

On December 23, 2002, Foothills Oil & Gas Ltd ("Foothills"), through its wholly owned subsidiary 1003155 Alberta Ltd., acquired all the shares of Midnight Oil & Gas Ltd. ("Privateco"), a private corporation. The transaction was accounted for as a reverse takeover. Accordingly, the results of operations include those of Privateco from inception and those of the combined companies from the date of the acquisition to December 31, 2003.

On February 5, 2003, the shareholders of Foothills (the "Corporation") approved a name change from Foothills Oil & Gas Ltd. to Midnight Oil & Gas Ltd. ("Midnight") and approved a share consolidation on the basis of one new share for every eighteen existing common shares.

All comparative share data including number of common shares outstanding; per share data and stock options outstanding have been adjusted to reflect the share consolidation.

The principal business of the Corporation is the exploration for, exploitation, development and production of oil and natural gas reserves. All activity is conducted in Western Canada and comprises a single business segment.

1 Significant accounting policies:

The consolidated financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimated.

Specifically, the amounts recorded for depletion, depreciation and amortization of oil and natural gas properties and equipment and the provision for future site restoration and abandonment costs are based on estimates. The ceiling test is based on estimates of proved reserves, production rates, oil and gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

(a) Principles of consolidation:

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries. All inter-entity transactions and balances have been eliminated.

(b) Petroleum and natural gas assets:

(i) Capitalized costs:

The Corporation follows the full cost method of accounting for oil and natural gas properties. Under this method, all costs related to the acquisition of, exploration for and development of oil and natural gas reserves are capitalized. These costs include land acquisition costs, geological and geophysical expenditures, rentals and other carrying charges on undeveloped properties, costs of drilling both productive and non-productive wells, oil and gas production equipment and facilities and administrative expenses directly related to the acquisition, exploration and development activities. Proceeds from the disposition of oil and natural gas properties are accounted for as a reduction of capitalized costs, with no gain or loss recognized, unless such disposition would result in a change greater than 20% in the depletion or depreciation rate.

(ii) Depletion and depreciation:

Depletion of oil and natural gas properties and depreciation of production equipment are calculated using the unit-of-production method, based on production volumes before royalties in relation to estimated proven reserves as determined by an independent petroleum engineering firm. Natural gas reserves and production are converted to equivalent barrels of oil based upon the relative energy content of six thousand cubic feet of gas to one barrel of oil.

The cost of acquisition and evaluation of unproved properties are initially excluded from the depletion calculation. These properties are assessed to ascertain whether impairment in value has occurred. When proved reserves are assigned or a property is considered to be impaired, the cost of the property or the amount of the impairment will be added to the capitalized costs for the calculation of depletion.

Other assets are depreciated on a declining balance basis at rates ranging from 20% to 35%.

(iii) Ceiling test:

The total capitalized costs, less accumulated depletion and depreciation, site restoration provision and future income taxes will be limited to an amount equal to the estimated future net revenue from proved reserves plus the cost (net of impairments) of unproved properties and estimated net realizable value of equipment and facilities less estimated future general and administrative expenses, financing costs and income taxes. Future net revenue is estimated based upon constant prices using oil and gas prices at the period end date. Any reduction as a result of this ceiling test will be charged to operations.

(c) Future site restoration and abandonment costs:

Estimated future site restoration costs are provided over the life of the proved reserves on the unit-of-production method based on the estimated proved reserves before royalties. Costs will be estimated each year by management in accordance with current regulations, costs, and technology and industry standards. The annual provision is included in depletion and depreciation expense and actual site restoration expenditures will be charged to the accumulated provision account as incurred.

(d) Goodwill:

Goodwill, at the time of acquisition, represents the excess of purchase price of a business over the fair value of net assets acquired. Thereafter, goodwill is assessed by the Corporation for impairment in the fourth quarter of each year. If the fair value of the business is less than the book value, a second test is performed to determine the amount of the impairment. The amount of the impairment is determined by deducting the fair value of the business' assets and liabilities from the fair value of the business to determine the implied fair value of goodwill and comparing that amount to the book value of goodwill. Any excess of the book value of goodwill over the implied fair value is the impairment amount and will be charged to income in the period of the impairment.

(e) Joint interest operations:

Substantially all of the Corporation's exploration, development and production activities related to oil and gas operations are conducted jointly with others and accordingly the accounts reflect only the Corporation's proportionate interest in such activities.

(f) Revenue recognition:

Revenue from the sale of petroleum and natural gas is recognized during the month when title passes.

(g) Flow-through shares:

A portion of the Corporation's exploration activities is financed through proceeds received from the issue of flow-through shares. Under the terms of the flow-through share issues, the tax attributes of the exploration expenditures are renounced to the share subscribers. To recognize the foregone tax benefits to the Corporation, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers. The tax effect is recorded when the flow through shares are renounced.

(h) Income taxes:

The Corporation uses the liability method of tax allocation accounting. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

(i) Cash and cash equivalents:

Cash and cash equivalents are comprised of cash and all investments with a maturity date of three months or less.

(j) Per share amounts:

Basic per share amounts are computed by dividing earnings by the weighted average number of common shares outstanding for the period. The treasury stock method is used to determine the diluted per share amounts, whereby any proceeds from the stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period.

(k) Stock-based compensation plans:

The Corporation has an equity incentive plan of stock options, which are described in note 5. All outstanding stock options of the Corporation have been granted to either employees or directors of the Corporation and no compensation cost has been recorded for these awards.

The Corporation's stock-based compensation plans for employees do not involve the direct award of stock, or call for the settlement in cash or other assets. No compensation costs for such stock options have been recognized in the financial statements. Any consideration received on exercise of the stock options is credited to share capital.

(l) Comparative amounts:

Certain comparative figures have been reclassified to conform with current year presentation.

2 Business combinations:

Effective April 22, 2003, the Corporation through its wholly owned subsidiary, 1030199 Alberta Ltd. acquired all of the issued and outstanding shares of Capture Energy Ltd. ("Capture"). As consideration, the Corporation issued 4,424,996 common shares. The transaction was accounted for by the purchase method, based on fair values as follows:

Net assets acquired:	
Current assets	*$ 2,738*
Capital assets	*33,512*
Goodwill	*2,400*
Accounts payable and accrued liabilities	*(3,869)*
Hedge contracts	*(750)*
Bank loan	*(7,097)*
Provision for future site restoration and abandonment	*(660)*
Future income taxes	*(3,850)*
	$ 22,424
Common shares of Midnight issued	*$ 22,378*
Transaction costs	*46*
Total consideration	***$ 22,424***

Effective December 23, 2002, Foothills Oil & Gas Ltd. ("Foothills") and 1003155 Alberta Ltd. acquired all of the issued and outstanding shares of Midnight Oil & Gas Ltd.("Privateco"), the private corporation. As consideration, Foothills issued nine common shares for every common share of Privateco. Privateco received 13,400,000 post consolidation shares representing approximately 90% of the post transaction shares outstanding.

The transaction has been accounted for as a reverse take-over and, for accounting purposes, Privateco is deemed to have acquired Foothills. The companies were amalgamated on January 1, 2003, under the name Foothills Oil & Gas Ltd. This transaction was accounted for by the purchase method, based on fair values as follows:

Net assets acquired:	
Current assets	*$ 826*
Capital assets	*6,635*
Goodwill	*1,400*
Accounts payable and accrued liabilities	*(1,769)*
Bank loans and debentures	*(2,602)*
Provision for future site restoration and abandonment	*(73)*
Future income taxes	*(1,375)*
	$ 3,042
Common shares of Foothills issued	*$ 2,933*
Transaction costs	*109*
Total consideration	***$ 3,042***

3 Petroleum and natural gas assets:

2003	*Cost*	*Accumulated depletion and depreciation*	*Net book value*
Oil and natural gas properties	***$ 110,698***	***$ 12,282***	***$ 98,416***
Other assets	***531***	***223***	***308***
	$ 111,229	***$ 12,505***	***$ 98,724***
2002			
Oil and natural gas properties	*$ 31,660*	*$ 1,396*	*$ 30,264*
Other assets	*306*	*134*	*172*
	$ 31,966	*$ 1,530*	*$ 30,436*

During the year ended December 31, 2003, the Corporation capitalized $1,417,000 (2002 – $492,000) of overhead costs related to exploration and development activities.

The cost of unproven properties at December 31, 2003 of $10,397,000 (2002 – $3,093,000) has been excluded from the depletion and depreciation calculation. Future development costs of proven reserves of $7,769,000 (2002 – $3,575,000) have been included in the depletion and depreciation calculation.

Depletion and depreciation includes a provision of $373,000 (2002 – $30,000) for estimated future site restoration costs. The provision is based on estimated remaining costs of $4,350,000 (2002 – $722,000).

4 Long-term debt:

The Corporation has a revolving term credit facility available up to $25 million with a Canadian chartered bank. The facility is available on a revolving basis until May 31, 2004. On May 31, 2004, at the Corporation's discretion, the facility is available on a non-revolving basis for a period of 366 days, at which time the facility would be due and payable. Alternatively, the facility may be extended for a further 364-day period at the request of the Corporation and subject to approval by the bank. The credit facility bears interest at the bank prime rate and is secured by a $35 million first floating debenture and a general securities agreement. At December 31, 2003, $7,833,000 funds were drawn on this facility.

5 Share capital:

(a) Authorized:

The authorized share capital consists of an unlimited number of common shares without par value, an unlimited number of first preferred shares and an unlimited number of second preferred shares, issuable in series.

(b) Issued and outstanding:

	Number of Shares	Amount
Common shares:		
Balance December 31, 2001	16,200,000	$ 14,685
Shares issued on private placement	5,200,000	6,450
Share issue costs net of tax of $151	–	(203)
Shares issued on special warrants	5,400,000	12,150
	26,800,000	33,082
Issued to Midnight Oil & Gas shareholders on reverse take-over (note 2)	13,400,000	–
Common shares of Foothills Oil & Gas Ltd. at date of acquisition	925,084	2,933
Shares issued on private placement	154,762	613
Flow-through shares issued on private placement	123,809	557
Share issue costs net of tax of $418	–	(575)
Balance, December 31, 2002	14,603,655	36,610
Shares issued on private placements	1,638,168	10,487
Flow-through shares issued on private placements	398,413	2,993
Shares issued on exercise of options	618,805	1,379
Shares issued on the acquisition of Capture (note 2)	4,424,996	22,378
Consolidation adjustment	28	–
Share issue costs net of tax of $434	–	(662)
Tax effect of flow-through shares	–	(1,420)
Balance, December 31, 2003	**21,684,065**	**$ 71,765**

(c) Flow-through shares:

Under the terms of the flow-through share agreements, the Corporation renounced $2,993,000 (2002 – $557,000) of qualifying oil and natural gas expenditures effective December 31. All qualifying expenditures renounced were incurred in 2003.

(d) Per share amounts:

Per share amounts have been calculated on the weighted average number of shares outstanding. The weighted average shares outstanding for 2003 was 18,679,246, and for 2002 was 10,629,395.

Diluted per share amounts are calculated based on the diluted weighted average number of shares outstanding. The diluted weighted average shares outstanding for 2003 was 19,150,074 and for 2002 was 11,161,262 because of the dilutive effect of stock options.

(e) Stock options:

The Corporation has reserved 1,931,095 common shares for granting under option to employees, directors and other persons who provide ongoing management or consulting services to the Corporation. Stock options are granted for a term up to five years and vest over three years from the date granted. The exercise price of each option equals the market price of the Corporation's common shares on the date of the grant.

	Number of options	Weighted average exercise price	Number exercisable at year end	Weighted average exercise price
Stock options outstanding:				
Balance, December 31, 2001	785,000	$ 2.00	261,667	$ 2.00
Granted	285,000	2.50		
Conversion of Foothills	66,394	3.99		
Balance, December 31, 2002	1,136,394	2.24	581,394	2.23
Granted	556,000	5.06		
Exercised	(618,805)	2.23		
Cancelled	(128,889)	4.38		
Balance December 31, 2003	**944,700**	**$ 3.62**	**305,367**	**$2.06**

The following table summarizes information about the stock options outstanding at December 31, 2003:

	Options Outstanding			Options Exercisable	
Range of exercise price	*Number outstanding*	*Weighted average exercise price*	*Weighted average remaining contractual life (years)*	*Number exercisable*	*Weighted average exercise price*
$ 2.00-2.50	503,700	$ 2.23	2.5	305,367	$ 2.06
$ 4.50-5.50	366,000	4.92	4.3	–	–
$ 5.60-6.60	75,000	6.57	4.8	–	–
	944,700	**$3.62**	**3.4**	**305,367**	**$2.06**

(f) Pro forma disclosure:

Had the Corporation accounted for employee stock options granted since July 1, 2002 using the fair value based method, Midnight's net income and income per share would approximate the following pro forma amounts:

	2003	2002
Net income:		
As reported	**$ 4,045**	$ 195
Pro forma	**$ 3,880**	$ 191
Net income per share:		
Basic:		
As reported	**$ 0.22**	$ 0.02
Pro forma	**$ 0.21**	$ 0.02
Diluted:		
As reported	**$ 0.21**	$ 0.02
Pro forma	**$ 0.20**	$ 0.02

These pro forma earnings reflect compensation cost amortized over the options estimated hold period to exercise.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants since July 1, 2002:

	2003	2002
Weighted average fair value of options granted	**$ 2.20**	$ 1.10
Risk free interest	**4%**	4%
Estimated hold period prior to exercise	**4 years**	4 years
Volatility in the price of the Corporation's common shares	**36% - 44%**	44%
Dividend per share	**$ 0.00**	$ 0.00

6 Taxes:

The provision for taxes in the financial statements differs from the result that would have been obtained by applying the combined federal and provincial tax rate to the Corporation's income before taxes. The difference results from the following items:

	2003	2002
Income before taxes	**$ 5,770**	$ 378
Combined federal and provincial tax rate	**40.62%**	42.25%
Computed "expected" tax expense	**$ 2,343**	$ 160
Increase (decrease) in taxes resulting from:		
Non-deductible crown charges	**2,339**	301
Resource allowance	**(1,844)**	(261)
Alberta Royalty Tax Credit	**(183)**	(45)
Other	**(173)**	(20)
Effect of change in tax rate	**(929)**	(2)
Future taxes	**1,553**	133
Capital taxes	**172**	50
Taxes	**$ 1,725**	$ 183

The components of the Corporation's future income tax liability at December 31 are as follows:

	2003	2002
Future income tax assets:		
Future site restoration	$ (285)	$ (33)
Share issue expenses	(931)	(486)
	(1,216)	(519)
Future income tax liabilities:		
Petroleum and natural gas assets	8,666	1,580
Net future income tax liability	$ 7,450	$ 1,061

7 Supplemental cash flow information:

Changes in non-cash working capital:

	2003	2002
Accounts receivable	$ (7,670)	$ (1,494)
Deposits and prepaid expenses	(361)	(25)
Accounts payable and accrued liabilities	13,833	6,151
Working capital acquired from acquisitions	(1,881)	(943)
	3,921	3,689
Allocated to:		
Operations	(5,974)	(259)
Financing	(209)	209
Investments	10,104	3,739
	$ 3,921	$ 3,689

Interest and taxes paid:

	2003	2002
Interest	$ 166	$ –
Taxes	$ 86	$ 40

8 Risk management:

(a) Interest rate:

The cash and cash equivalents are subject to fluctuations in short term Canadian interest rates. The Corporation is exposed to interest rate risk to the extent that long-term debt is at a floating rate of interest.

(b) Credit risk:

Portions of the Corporation's accounts receivable are with joint venture partners in the oil and gas industry and are subject to normal industry credit risks. Purchasers of the Corporation's oil and natural gas products are subject to an internal credit review designed to mitigate the risk of non-payment.

(c) Commodity price risk:

There were no financial instruments in place to manage commodity prices during any of the reported periods.

(d) Foreign currency:

While substantially all of the Corporation's sales are denominated in Canadian dollars, the market prices in Canada for oil and natural gas are impacted by changes in the exchange rate between the Canadian and United States dollar.

(e) Fair value of financial instruments:

Financial instruments comprise accounts receivable, accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying amounts due to their short-term maturities. The Corporation's long-term debt bears interest at a floating market rate and accordingly the fair market value approximates the carrying value.

Midnight Oil & Gas Ltd.

QUARTERLY INFORMATION

	Q1	Q2	Q3	Q4	2003	2002	2001
Financial *($ thousands except per share data)*							
Petroleum and natural gas sales	$ 5,245	$ 8,735	$ 8,107	$ 7,704	$ 29,791	$ 4,260	$ 64
Royalties	1,050	2,380	2,089	1,710	7,229	1,114	15
Production expenses	283	723	983	1,518	3,507	457	53
Net backs	$ 3,912	$ 5,632	$ 5,035	$ 4,476	$ 19,055	$ 42,689	$ (4)
Cash flow from operations	$ 3,512	$ 4,978	$ 4,687	$ 3,769	$ 16,946	$ 1,788	$ 228
Per share – Basic	0.24	0.27	0.24	0.17	0.91	0.17	0.03
– Diluted	0.23	0.27	0.23	0.17	0.88	0.16	0.03
Net income (loss)	$ 1,469	$ 1,634	$ 1,282	$ (340)	$ 4,045	$ 195	$ 12
Per share – Basic	0.10	0.09	0.06	(0.02)	0.22	0.02	–
– Diluted	0.10	0.09	0.06	(0.02)	0.21	0.02	–
Additions to capital assets	$ 5,931	$ 5,618	$ 20,902	$ 13,300	$ 45,751	$ 20,091	$ 4,563
Corporate acquisitions		$ 33,512			$ 33,512	$ 6,635	–
Working capital surplus (net debt)	$ 4,035	$ (4,443)	$ (8,954)	$ (18,304)	$ (18,304)	$ 6,088	$ 9,624
Shares outstanding							
Basic	14,760	19,634	21,464	21,684	21,684	14,604	8,100
Diluted	16,131	20,719	22,554	22,629	22,629	15,740	8,885

Operations	Q1	Q2	Q3	Q4	2003	2002	2001
Average daily production							
Natural gas *(mcf/d)*	5,454	11,517	11,049	10,482	9,643	2,599	26
Liquids and crude oil *(bbls/d)*	117	348	507	565	386	20	2
Combined *(boe/d)*	1,026	2,267	2,348	2,312	1,993	453	6
Average prices received							
Natural gas *($/mcf)*	$ 9.60	$ 7.21	$ 6.24	$ 6.00	$ 6.93	$ 4.30	
Liquids and crude oil *($/bbl)*	43.10	34.66	36.15	35.80	36.21	25.19	
Combined *($/boe)*	$ 56.77	$ 42.34	$ 37.53	$ 36.21	$ 40.95	$ 25.78	
Royalties *($/boe)*	11.37	11.54	9.67	8.03	9.94	6.74	
Operating expenses *($/boe)*	3.06	3.50	4.55	7.14	4.82	2.77	
Netback received *($/boe)*	$ 42.34	$ 27.30	$ 23.31	$ 21.04	$ 26.19	$ 16.27	(1)

Notes:

(1) No netback analysis has been presented as production was minimal for the year.

Midnight Oil & Gas Ltd.

QUARTERLY INFORMATION

	Q1	Q2	Q3	Q4	2002
Financial *($ thousands except per share data)*					
Petroleum and natural gas sales	$ 436	$ 1,145	$ 745	$ 1,934	$ 4,260
Royalties	138	333	215	428	1,114
Production expenses	28	93	139	197	457
Net backs	$ 270	$ 719	$ 391	$ 1,309	$ 2,689
Cash flow from operations	$ 230	$ 553	$ 125	$ 880	$ 1,788
Per share – Basic	0.02	0.05	0.01	0.08	0.17
– Diluted	0.02	0.05	0.01	0.07	0.16
Net income (loss)	$ 33	$ 55	$ (145)	$ 252	$ 195
Per share – Basic	–	0.01	(0.01)	0.02	0.02
– Diluted	–	0.01	(0.01)	0.02	0.02
Additions to capital assets	$ 7,780	$ 3,079	$ 3,086	$ 6,146	$ 20,091
Corporate acquisitions				$ 6,635	$ 6,635
Working capital surplus	$ 8,173	$ 5,642	$ 2,682	$ 6,088	$ 6,088
Shares outstanding					
Basic	10,700	10,700	10,700	14,604	14,604
Diluted	11,710	11,710	11,710	15,740	15,740

Operations	Q1	Q2	Q3	Q4	2002
Average daily production					
Natural gas *(mcf/d)*	1,294	3,360	2,348	3,374	2,599
Liquids and crude oil *(bbls/d)*	–	32	13	31	20
Combined *(boe/d)*	216	592	405	594	453
Average prices received					
Natural gas *($/mcf)*	$ 3.73	$ 3.60	$ 3.31	$ 5.89	$ 4.30
Liquids and crude oil *($/bbl)*	–	14.05	24.03	36.99	25.19
Combined *($/boe)*	$ 22.39	$ 21.19	$ 20.00	$ 35.41	$ 25.78
Royalties *($/boe)*	7.09	6.18	5.79	7.83	6.74
Operating expenses *($/boe)*	1.46	1.72	3.73	3.61	2.77
Netback received *($/boe)*	$ 13.84	$ 13.29	$ 10.48	$ 23.97	$ 16.27

Midnight Oil & Gas Ltd.

CORPORATE INFORMATION

Directors

Paul E. Moynihan, *Chairman of the Board* [1, 2, 3]
Managing Director and Partner
Mustang Capital Partners Inc.
Calgary, Alberta

Jay D. Squiers [1, 2, 3]
Senior Vice President
Prudential Capital Group
Dallas, Texas

Chris von Vegesack [1, 2, 3]
Partner
Burnet, Duckworth & Palmer LLP
Calgary, Alberta

Frederick N. Woods
President and Chief Executive Officer
Midnight Oil & Gas Ltd.
Calgary, Alberta

Anthony M. Lambert
Vice-President, Operations and Chief Operating Officer
Midnight Oil & Gas Ltd.
Calgary, Alberta

Members of the following Committees
1 *Audit*
2 *Compensation*
3 *Reserves*

Officers

Frederick N. Woods
President and Chief Executive Officer

Anthony M. Lambert
Vice-President, Operations and Chief Operating Officer

Thomas F. Moslow
Vice-President, Exploration

Richard L. Rowland
Senior Vice-President

Judith A. Stripling
Vice-President, Finance and Chief Financial Officer

Andrew D. Weldon
Vice-President, Land

David A. West
Vice-President, Engineering

Abbreviations

/d	per day
bbl(s)	barrel(s)
mbbls	thousand barrels
mmbbls	million barrels
mcf	thousand cubic feet
mmcf	million cubic feet
bcf	billion cubic feet
tcf	trillion cubic feet
boe	barrels of oil equivalent
mboe	thousand barrels of oil equivalent
mmbtu	millions of British thermal units
mmstb	million standard barrels
ARTC	Alberta Royalty Tax Credit
Cdn	Canadian
Ngls	natural gas liquids
WTI	West Texas Intermediate crude oil
US	United States

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Banker

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Calgary, Alberta

Legal Counsel

Burnet, Duckworth & Palmer LLP
Calgary, Alberta

Auditors

KPMG LLP
Chartered Accountants
Calgary, Alberta

Evaluation Engineers

Gilbert Laustsen Jung Associates Ltd.
Calgary, Alberta

Registrar and Transfer Agent

Computershare Trust Company of Canada
Calgary, Alberta and Toronto, Ontario

Annual Meeting

Midnight's annual meeting for its shareholders will be held on Thursday, May 27, 2004 at 10:00 a.m. at the Conference Centre, Sunlife Plaza, 140 – 4th Avenue S.W., Calgary, Alberta.

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MIDNIGHT
Oil & Gas Ltd.

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